Innovation Strategies for independent Garden Centers

Bachelor Thesis

by Stefan Cornelißen

Faculty: School of Management and Governance

BACHELOR COMMITTEE

PROF.DR.IR. OLAF FISSCHER

DR. EFTHYMIOS CONSTANTINIDES (SECOND READER)

UNIVERSITY OF TWENTE.

NOVEMBER 2011

Table of Contents

Management Summary

This thesis is dedicated to garden centers, which want to innovate in order to improve their business model, respectively their basis of revenue. The heavily changing market situation for garden centers in the past years challenged many independent garden centers. For example, the competition in the sector of plants and flowers increased enormously. Food-discounters, home improvement centers and other non-sector related organization started to offer plants and flowers. Most of the times with all their affiliates at once. In addition, there are also dependent garden centers, organized in (franchise) chains also trying to get the most out of the situation. Consequentially, independent, one-affiliate garden centers have to cope with the changing conditions in order to stay on the market. One way accomplish this, is to innovate. The intent of this thesis therefore lies in the proposal of strategies to innovate, which could be a way to sustain profitability. As this sector experiences a lot of change, three distinct types of independent garden centers are encounter-able in the sector:

- Scenario 1: being cheaper. Many garden centers started to sell, vast amounts for low prices, based on quantity discounts.
- Scenario 2: becoming specialized. Many garden centers tried to differentiate themselves in order to stop competing with hardware stores, home improvement centers, supermarkets and garden centers from scenario one.
- Scenario 3: integrating businesses. Many garden centers started to integrate ideas from different sectors. For example, there are companies, which now offer ponds or BBQs including auxiliaries, bathroom- or kitchen equipment. Important to note, there are many garden centers, which fit in scenario two and three at the same time.

This study will be subject to the second and third scenarios type. Those garden centers needed to come up with much creativity and a will to change, in order to stay on the market or improve their position in the market.

To come to a conclusion and to provide innovation strategies, first an initial overview over the sector is needed. The first sub-research question covers therefore a sector analysis. In order to receive more differentiated input regarding the innovation approaches, the sectors in The Netherlands and Western Germany have been investigated. The research question is as follows:

- What does the sector situation look like in The Netherlands and Western Germany, and which developments and trends can be identified?

To conduct the sector analysis, the theory of Porters ‘Five Forces in the Marketplace’ (1980) have been used. There are many drivers and factors, which determine a situation and consequentially the developments or changes. The analysis in based on interviews with branch-experts, interviews with directors of garden centers, as well as qualitative and quantitative sector information. Summarizing, it can be stated, the most threatening forces in the sector originates from the attitude of the customers. The trends in their behavior like ‘wanting things to go as easy as possible’ and their rising expectations regarding service and products forced garden centers to react. To accomplish this, garden centers improved heavily on their services and products. Often, they also often broadened their product assortments. Furthermore, an increasing number of garden centers try to be recreational to customers and offer literally a shopping experience. ‘Buyers’ can therefore be categorized as the most threatening force in the sector of garden centers. There is also an inclining number of garden

centers becoming more divers regarding product assortments. They are on the shift away from their core business of plants and flowers. Next, the ‘potential entrants’ form the second most threatening force, especially competitors from different sectors, which offer plants and flowers to lure customers only. These are the most important determiners of the sector situation. Forces outgoing from ‘substitutes, suppliers and the rivalry among competitors’ provide only modest threats, which garden centers are able to handle well, as the investigation has shown.

The second sub-research question prepares the main part of this thesis. It covers the process of gathering and interpreting innovative ideas around garden centers:

- Which successful innovative ideas have been deployed by garden centers and how has it influenced their business models?

To boil down innovative ideas, garden centers, which are successful on the ‘first sight’, have been investigated. During that process, participants in The Netherlands and Germany have been visited and interviews with at least one director have been conducted. Those interviews were held in a semi-structured manner, using the concerning theory background. Accordingly, three types of questions have been posted. The first set includes questions regarding the structure and typical elements of the organization. To understand an organization in more detail, the theory-model throughout this part is the so-called McKinsey 7-S Model. In a second step, the business model and probable changes of it (of the recent years) were of interest. Giaglis et al. provide a framework aimed to describe a business model. The obtained knowledge during an interview after the first two sets helped to encounter innovative ideas, which further have been investigated in with a last set of questions, considering theory on product and service innovation. This contains mainly methods to identify and to interpret innovative ideas in general terms. In the end, the innovations encountered have been reflected on the business model of an enterprise to state the influence on it.

Resulting, it becomes clear, the encountered innovative ideas have all their own characteristics regarding the influence on a business model and their degree of innovativeness. One of the most common innovative approaches, aimed on up selling is the ‘product presentation in examples’ technique. It basically comes down to place products into a home alike situation, for example in imitated living rooms, kitchens or bathrooms. This technique enables customers to decide more easily whether they find products like plants or any decoration suitable. Such style changes generally do not have much influence on business models as they belong to the least radical form of a service innovation. Implementation has shown, application of this idea is focused on the improvement of an existing business model.

Another common innovative idea is to ‘declare a garden center as a gift shopping center’ by first introducing ‘gift corners’ and advertising the focus on gifts. Considering the incremental nature of these innovative implementations, they tend to improve an existing business model too. Although implementations sound easy and simple, these techniques have been proven to be highly successful. The ideas so far have in common that they do not alter a business model heavily. Implementation of them means refining and improving the core business model around plants and flowers. A second set of innovative implementations encountered have in common that they are of a more radical kind. By implementation of those, the impact will be enormous and even complete new or parallel business models could emerge.

For instance ‘adding additional products to the assortment’ usually comes down to the point that an increasing number of non-plant of flower related products become introduced in a garden center. All of the investigated garden centers did that, some to a very extensive degree, others less. Depending on the degree, garden centers may shift away from their core business (i.e. plants and flowers), which has high impact on their business models. Most popular product groups added are BBQs, outdoor kitchens, kitchen- and bathroom articles.
Another example of an innovative approach includes integrated 'Catering Services'. This can be seen as a new service for the market presently served and actually means, the business model of a garden center becomes extended with an additional one.

The advisory part of this study is answered by sub-research question three, which is formulated as follows:

- Which explicit operational advice can be given to independent garden centers as a strategy to innovate?

The proposed strategies are divided according their influence they will have on an existing business model. The first strategy elaborates a more conservative way with small influences on a business model (innovating the core business model). The second strategy aims to garden centers, which are looking for profound change (targeting for new/additional business models).

Strategy 1: Innovating the core Business Model
The main element of this strategy is to introduce product presentation in examples. That can be accomplished by imitating living rooms, kitchens, bathrooms, verandas and house entrances in a perfect manner, that customers are able to recognize similarities of the environment to their home situation.
If a garden center offers high quality products in addition, it can be very useful to try to make customers feel privileged when shopping by emphasizing the special appearance and the quality level of products. On operational level, that would mean to exclude cheap looking products and to ask fair prices. Another important innovative advice, which can be realized without affecting the business model, is to create gift-corners in every department. Thereby is meant, that every department has a corner or a table on which constellations for gifts are presented.

Strategy 2: Targeting for new/additional Business Models
The main advice in this strategy is to inaugurate new product groups. Common, additional product groups include BBQs and outdoor kitchens, kitchen/bathroom equipment, furniture for outside purposes, fishes and ponds, pets, fashion, literature (e.g. for children, cooking, planting, gardening), food delicacies, wine, writing utilities and cosmetic articles. These groups are proven to be financially attractive in garden centers. Another, also very attractive way to innovate is to integrate a café or a restaurant in a garden center.
When a garden center is diversified regarding its products and has catering facilities in addition, it is very likely customers schedule several hours for a visit. On the one hand, this experience can be emphasized by additional offers like hiring clowns for children, hiring famous chefs for a more extensive BBQ presentation or offering classes for topics around gardening or decorating. On the other hand, those programs and activities need to be advertised in a way that underlines the leisure-time-factor as well. On the long term, the garden center will develop itself to a facility with recreational-factor to spent leisure time.

When applying the propositions of strategy two, the impact on the existing business model will weight heavier. Depending on the degree of integration, even a shift to new business models for garden center can be the result. Both proposals are intended to improve a garden centers basis to create revenue; in other words, the business model will be improved.

Management Summary (Dutch)

Deze thesis is gericht op tuincentra, welke de intentie hebben om te innoveren om steviger in de schoenen staan met betrekking tot de positie in de markt.
De omstandigheden in de sector van zelfstandige tuincentra zijn enorm verandert in de afgelopen jaren en dwongen tot handeling. Zo zijn er bijvoorbeeld in de laatste jaren veel toetreders geweest in de markt van bloemen en planten. Bijvoorbeeld groten ketens van supermarkten, bouwmarkten of andere niet-plant-gerelateerde organisaties zijn toegetreden en verkopen bloemen, planten en andere decoratie artikelen. Mede door deze ontwikkeling, zijn de oorspronkelijke tuincentra steeds vaker tot zelfontwikkeling gedwongen. Vooral zelfstandige tuincentra die niet aan (franchise)keten zijn aangesloten, moeten nu beter hun best doen om aan de markt te kunnen blijven. Het doel van deze scriptie is het dus om zelfstandige tuincentra innovatiestrategieën aan de hand geven, waarmee zij hun positie in de markt te kunnen verbeteren. In de sector bestaan over het algemeen drie typen zelfstandige tuincentra:

- Type 1: op prijs spelen: vele tuincentra zijn inmiddels overgestapt om de producten zo goedkoop mogelijk aan te bieden. Meestal gaat dit overeen met kwantumkorting in de inkoop.
- Type 2: onderscheidend vermogen opbouwen: om niet langer in concurrentie te staan de met prijsspelers in dit segment, proberen tuincentra van deze type zich te onderscheiden of zelfs op bepaalde gebieden te specialiseren.
- Type 3: integreren van bedrijfsconcepten: sommige tuincentra proberen concepten van andere sectoren in het business model van een tuincentra te integreren. Vaak wordt dit bereikt door productgroepen zoals BBQs, vijver-artikelen, fissen, badkamer en keukenartikelen en dergelijke aan te bieden. Ook zijn er tuincentra, die proberen de eigenschappen van de typen twee en drie onder een dak te brengen.

Het onderzoek van deze scriptie bevat zich met tuincentra van de typen twee en drie. Dergelijke organisaties hadden het vaak nodig om creatieve en frisse ideeën te realiseren om zo de positie in de markt te houden.

Om aan het einde innovatiestrategieën voor te kunnen stellen, is het noodzakelijk om eerst dieper inzicht in de sector te krijgen. Onderzoeksvraag een is daarop gericht. Om daarnaast zo veel verschillende innovatieve ideeën als mogelijk te vergaren, wordt de sector in twee landen bekeken. Dit is Nederland en het westelijke gedeelte van Duitsland. De eerste onderzoeksvraag luidt daarom als volgt:

- Hoe kan de situatie in de sector in Nederland en in het westelijke gedeelte van Duitsland worden omschreven en welke trend en ontwikkelingen zijn zichtbaar?

Deze sector analyse is uitgevoerd met behulp van het ‘Five Forces in the Marketplace-Model’ van Porter (1980). Er zijn veel factoren en krachtenvelden, welke de situatie van een sector in de markt bepalen. Om deze diversiteit in kaart te brengen, zijn er verschillende interviews gehouden met experts uit de branche en met directieleden van tuincentra. Verder lag kwalitatieve en kwantitatieve branche-informatie ten grondslag. Samenvattend kan gesteld worden, dat de meest invloedrijke partij in het vijfkrachten model de ‘klanten’ zijn. De reden ervoor ligt met name in de hoge eisen, die klanten aan tuincentra stellen. Daarnaast willen zij het liefst, dat gecompliceerde dingen in een keer heel makkelijk worden wat vooral bij levende producten een probleem vormt. Om van deze eisen standaards te maken, hebben veel tuincentra een inhaalslag op service en kwaliteit gemaakt. Om aan de wensen van de klanten

beter te voldoen, zijn de productgroepen uitgebreider geworden wat meer ruimte voor exclusievere producten verschaft. Ook een belangrijke ontwikkeling ligt in het feit, dat tuincentra steeds vaker proberen om de klant een stukje recreatie tijdens het bezoek te bieden. ‘Klanten’ kunnen in deze analyse worden gezien als de meest belangrijke kracht.
Een andere invloedrijk krachtveld komt voort vanuit de toetreders op de markt. Daarin spelen vooral concurrenten, die eigenlijk branchevreemd zijn een grote rol. Dergelijke toetreders verkopen vaak planten, bloemen en andere tuincentra gerelateerde producten, om klanten voor hun eigenlijke producten te lokken. Dit zijn de twee meest belangrijke krachten op het gebied van zelfstandige tuincentra. Krachtenvelden, die ontstaan vanuit substituten, leveranciers of vanuit de competitie onderling, zijn niet bepaald invloedrijk, althans hebben de meeste onderzochte tuincentra daarmee geen grote moeite.

De beantwoording van de tweede onderzoeksvraag bereid voor op de eigenlijke adviesgedeelte aan het einde van deze thesis:

- Welke innovatieve ideeën werden door tuincentra gerealiseerd en hoe beïnvloedde dat het business model?

Om innovatieve ideeën binnen de sector van tuincentra te vergaren is ervoor gekozen om ‘op het eerste oog succesvolle tuincentra’ te gaan onderzoeken. Gedurende dit proces, werden tuincentra zowel in Nederland als in Duitsland bezocht, observatie verricht en bij de directie interviews afgenomen. Deze interviews vonden plaats op een semigestructureerde manier. De vragen daarvoor zijn met behulp van het theoretisch raamwerk geformuleerd. Zodoende was het de taak om antwoord op drie verschillende types vragen te krijgen. Het eerste set van vragen heeft betrekking op structurele kenmerken van de organisatie. De basis hiervoor vormde het McKinsey 7-S Model. Het tweede set van vragen gaat met name in op het business model van de organisatie en de veranderingen in de afgelopen jaren. Dit is gedaan in het kader van de literatuur over business modellen van Giaglis et al. Door middel van het derde gedeelte van de interviews is getracht om informatie over toegepaste innovatieve ideeën boven tafel te krijgen. De reeds vergaarde informatie duidde al aan, waarachter innovatieve gedachtes konden zitten. Het theoretisch kader over toepassing van innovaties, bood houvast om verder gaande informatie te verzamelen en zodoende de invloed van een idee op het business model te reflecteren.

Na het proces van het vergaren van innovatieve ideeën werd duidelijk dat ieder innovatief verschijnsel op zijn eigen manier invloed op het business model heeft. Een van de meest voorkomende innovatieve ideeën is, om producten in de juiste situatie te presenteren. Dit wordt gedaan door een levensechte omgeving (zoals een woonkamer, badkamer of keuken) na te bouwen en daarin de producten te plaatsen. Dat zorgt ervoor dat klanten makkelijker een beslissing kunnen nemen, of het gewenste product voor thuis geschikt is. Een dergelijke ‘style change’ heeft over het algemeen nauwelijks invloed op het business model en kan daarom worden beschouwd als een incrementele vorm van innovatie. Door observaties is bevestigt, dat de implementatie van het idee geen veranderende maar verbeterende werking op het desbetreffende business model heeft.

Een ander veelvoorkomend stukje innovatie, is om het tuincentrum naar de klanten als een soort 'centrum voor cadeauartikelen' te communiceren. Daarmee samen ging vaak de interne oriëntatie naar de meer afzet van dergelijke producten door bijvoorbeeld in iedere afdeling van een speciale cadeauartikelen-hoek te voorzien. Aangezien het idee van incrementele natuur is,

doelt de implementatie ervan ook op een verbetering in wijze waarop omzet genereert wordt. Uit observaties bleek dat ondanks de eenvoudigheid er sprake kan zijn van een succesvol gedachte.
Dergelijke innovatieve ideeën hebben delen de eigenschap dat ze amper invloed hebben op een bestaand business model. Verder zijn er ook radicalere innovatieve en implementaties, die wel ingrijpend zijn voor het business model van een tuincentrum. Het gevolg ervan is vaak dat nieuwe business modellen ontstaan die het oude model vervangen of een tweede, parallel lopende creëren.

Bijvoorbeeld het toevoegen van nieuwe producten aan het assortiment in een tuincentrum. Alle van de geïnterviewde tuincentra hebben in het verleden op verschillende manieren branchevreemde producten geïntegreerd. Afhankelijk van de hoeveelheid aan productgroepen drijven dergelijke tuincentra af het van hun oorspronkelijke kern, namelijk bloemen en planten. Dat blijft niet zonder gevolgen voor het business model. De meest populaire product groepen die geïntegreerd worden zijn BBQs, buiten keukens, badkamer en keukenartikelen.
Ook heel ingrijpend in het business model zijn catering services. Dit kan gezien worden als 'een nieuwe service voor een bestaande markt' wat gelijk gesteld kan worden aan een introductie van een parallel lopend, of nieuw business model.

De derde onderzoeksvraag gaat over het adviesgedeelte van deze scriptie. Hier wordt antwoord op de volgende vraag gevonden:

- Welk concreet en operationeel advies in vorm van een innovatiestrategie kan aan zelfstandige tuincentra worden gegeven?

De volgende innovatiestrategieën zijn opgesplitst in twee delen naar aanleiding van de invloed die zij op een business model van een tuincentrum hebben. De eerste strategie volgt de incrementele aanpak om te innoveren. De veranderingen die deze strategie aan een organisatie aanbrengt, zijn gericht op het verbeteren van het bestaande business model gericht (innoveren van het core business model). De tweede strategie daarentegen doelt op grootschalige veranderingen aan het desbetreffende business model. Dat zal leiden tot nieuwe business modellen.

Strategie 1: Innoveren van het core business model
Het hoofdkenmerk van deze strategie is dat producten door middel van levensechte voorbeelden worden gepresenteerd. Dat betekend, dat woonkamers, keukens, badkamers, huisentree's en dergelijke, geïmiteerd worden om er gebruik als verkoopruimte van te maken. Belangrijk daarbij, is dat de klanten de analogie van woonruimte herkennen.
Indien een tuincentrum producten van hoogwaardige kwaliteit aanbiedt, liegt het ook voor de hand om bij klanten een gevoel van bijzondere exclusiviteit te creëren. Dit wordt bereikt door de combinatie van productpresentatie in een thuisachtige sfeer en door hoge product- en service kwaliteit. Op operationeel niveau betekent dat minderwaardig verschijnende producten uit het programma te verwijderen en geen stuntprijzen te maken. Daarnaast is het ook een innovatieve toepassing om in iedere afdeling ruimte vrij te maken waar alleen thema gerelateerde cadeauartikelen te koop zijn.

Strategie 2: Parallel lopende of nieuwe business modellen
Meest belangrijk kenmerk van deze innovatie strategie, is het integreren van nieuwe productgroepen in het tuincentrum. Meest gebruikelijk zijn productgroepen zoals BBQs, buiten

keukens, keuken en badkamer equipement, tuinmeubelen, fissen en vijvers, huisdieren, boeken (bijvoorbeeld voor kinderen, koken, huis en tuin), culinaire specialiteiten of ingrediënten, wijn en cosmetische producten. Uit het onderzoek is gebleken dat deze productgroepen in tuincentra goed werken en door klant worden aangenomen.
Daarnaast is het ook een mogelijkheid om door de introductie van catering faciliteiten zoals een café of restaurant, te innoveren. Als een tuincentrum qua producten divers is opgesteld en ook over een catering faciliteit beschikt, is het al snel mogelijk dat klanten voor een bezoek meerdere uren inplannen. Een dergelijke beleving van shopping kan bij de klanten versterkt worden door er gericht op te adverteren. Tevens kan de beleving zelf ook verbeterd worden, door bijvoorbeeld regelmatig clowns voor kinderen in te huren, of bekende koks die aan een BBQ live laten zien hoe iets werkt en cursussen geven. Al deze maatregelen doelen erop om het recreatieve gedachte van een bezoek aan een tuincentrum te onderstrepen.

Als een tuincentrum de tweede innovatie strategie gaat toepassen zal de invloed op het business model groot zijn. De wijze waarop omgezet wordt genereert, veranderd. Beide strategieën zijn er uiteindelijk op geëindd om die positie in de sector van een tuincentrum te verbeteren.

1 Introduction

1.1 Background Information

This thesis is dedicated to garden centers, which want to innovate. The heavily changing market situation of garden centers in the past years challenges the participants in the sector. Garden centers have to cope with the changing conditions in order to stay on the market. Consequentially many garden centers started to innovate to secure profitability.

In that respect, many garden centers have developed themselves on many facets. Some introduced new strategies or additional assortments, others started to see their destiny as a provider of an entertaining shopping experience. Many creative and innovative things came along the way. The intent of this thesis is therefore to investigate on the innovativeness of garden centers and depicting the influences on their business models. The investigation is needed to provide innovation strategies for garden center, which are willing to innovate and to introduce change. For this purpose garden centers from The Netherlands and from Germany will be subject to the study. Since there are two different cultures investigated, the innovative parts of garden centers can be different as well, which may reveal higher amount of creative and innovative approaches.

1.2 Inducement

As I grew up in a middle sized garden center with flower shop affiliate, I already know the sector, also due to the experience of the last three years, in which I was very closely involved in the operational business of the garden center. Consulting the directors and being in charge of the marketing function increased my knowledge and experience within this sector.

From that perspective, I encountered the sector in period of change, especially in the past five years. Big changes in the market situation and the last financial crisis, which we all still have in mind, were the leading reasons. Every market changes from time to time. There are fast markets and there are slow markets. The market of plants and flowers was considered as slow, but it was reached by fast dynamics. In that sense, supermarket chains started to offer flowers, hardware and home-improvement stores started to offer plants for in- and outside use much more extensively. In Germany even food-discounters entered the market from one day to another with every single affiliate. Conclusively, the size of the market did not grow as fast as the market had to be re-shared by all the new and existing participants. Basically, the sector turned in several directions. The following scenarios will explain the most important ones.

- Scenario 1: being cheaper. Many garden centers started to sell, vast amounts for low prices, which in the end meant, either less quality of the products or/and less quality of selling services. This also meant, that the recently entered hardware stores, home improvement centers and even supermarkets become direct competitors as they offer vast amounts to low prices too. Sometimes plants and flowers are even used to lure customers. Furthermore those new competitors also took advantage of their size, by getting quantity discounts.

- Scenario 2: becoming specialized. Many garden centers tried to differentiate themselves in order to stop competing with hardware stores, home improvement centers, supermarkets and of course with garden centers from scenario one. This study will mainly be subject to this type, for a simple reason. Garden centers, which fall into the category of this scenario are the ones, which needed to come up with much creativity and a will to change, in order to stay on the market or improve their position in the market.

- Scenario 3: integrating businesses. Many garden centers started to integrate ideas from different sectors. For example, there are companies, which now offer ponds or BBQs including auxiliaries, bathroom- or kitchen equipment. Important to note, there are many garden centers which fit in scenario two and three at the same time. Garden centers from scenario three might also come up with creative innovations will therefore also be part of the investigations.

There has also been the recent financial crisis in 2008 and 2009, which had affect this sector as well. Both German and Dutch consumers started to safe money by keeping consumption on a lower level, especially on luxury products.

1.3 Objectives & Research Questions

The will to fast change with heavy impact, has been vital for many garden centers. As history has shown, threatening circumstances always give a boost to people's creativity, when developing new ideas and strategies. It therefore seems obvious, that many companies in this sector developed innovational ideas, which helped them to improve or even survive the situation. Both, innovations and changes can be categorized, the efforts measured and the conclusions be drawn. Sometimes, even new business models in the sector of garden centers might have emerged. Innovation and the resulting new business models will be in the focus of interest. It would be useful to many garden centers, to have an overview, which innovative ideas came up in certain situations. Thereby it is essential to catch the real and underlying reason of the idea. This research study thereby aims mainly on service and product innovation. That means, the investigative part will be narrowed down to encounter innovative ideas, visible for customers. Process innovation, in contrary is most of the times not visible to customers. It rather concerns internal processes. This type of innovation will not be subject to this research in the first place. Once the actual fieldwork has been completed, it is necessary to sum up all data, in order to categorize innovative phenomena and the influence on the business models. After that strategies to innovate a garden center's business model will be established based on the results of the investigation. The derived strategies are supposed to advice garden centers from the scenario types two and three on how they can innovate in order to keep their business model profitable.

In order to find fulfill the objectives the following main research question has been formulated:

- **What are suitable innovation strategies for garden centers of scenario two and three, to improve their business models?**

To structure the answering process of the main question, the following sub-questions have been derived:

- What does the sector situation look like in The Netherlands and Western Germany, and which developments and trends can be identified?
- Which successful innovative ideas have been deployed by garden centers and how has it influenced their business models?
- Which explicit operational advice can be given to independent garden centers as a strategy to innovate?

1.4 Research Approach

As a start, literature will be consulted to find appropriate theory concepts to support the investigations. Using the literature, terms and the applied concepts will be operationalized, including for instance the concept of innovation and what belongs to it (e.g. innovation in general, innovation in services, etc.). The same goes for the concept of business models. The aim is to find out, about methods to identify and categorize characteristics of innovation.

Once, the concepts are clear, and indicators are found, the process will be continued by investigation in the field. To be able to make comparisons between entities in the market regarding the effects of probable innovations, there is a need for a brief sector analysis according to research question one. Therefore interviews with branch-experts will be conducted. Additionally, data from existing market analysis will be consulted.

Research question two includes descriptive research and the actual fieldwork. The theory work will help to create measures in order to conduct an analysis on how innovation affected business models in the sector. The actual investigation will be conducted at around five garden centers by in-depth interviews with a director and facility observations.

Based on the obtained information of the first two research questions, the third research question will be answered, which is the advisory part and the answer to the main research question too.

To narrow down the focus of the research approach, three conditions need to be fulfilled by potential garden centers to become an object of analysis:

- Garden centers which become investigated need to be successful 'on the first sight.' In addition, recent change should be visible beforehand. (Re-buildings, or inauguration of new sets of products are good indicators.) Although this criterion seems selective, it ensures sufficient innovative ideas to encounter.
- Product range: Only garden centers, which offer at least plants and flowers for indoor and outdoor use, will be part of this research. This is to ensure comparability between retailers. Otherwise, dealing with retailers who only stay on the market for the summer with plants for outside use would out of scope.
- Geographically: By staying in area of The Netherlands and Western Germany, most certainly only few different types and tastes of customers will be encountered. Plus, there will also be possibilities to encounter differences in the Dutch and German ways of innovation and business models.

2 Theory Framework

In order to find answers to the research questions in a scientific manner, it is vital to have a balanced theory framework. Such a framework allows a systematical analysis of the most influential factors and drivers of a situation in the retail market of flowers and plants.

The figure 2.1 displays the most important factors of innovations in the sector and the business models, which may emerge due to the implementations of innovative ideas.

Beginning at the top left corner, there is the market place, where there are several types of garden centers. The focus will lie on the garden centers, which belong to the second and third scenario (see chapter 1.2 Inducement). During the last 5-10 years, developments in the complete sector have been encountered. In many cases, those developments had much impact on the centers and their existing business models. Over the time many retailers came up with innovative ideas, implemented them and even sometimes new business models evolved.

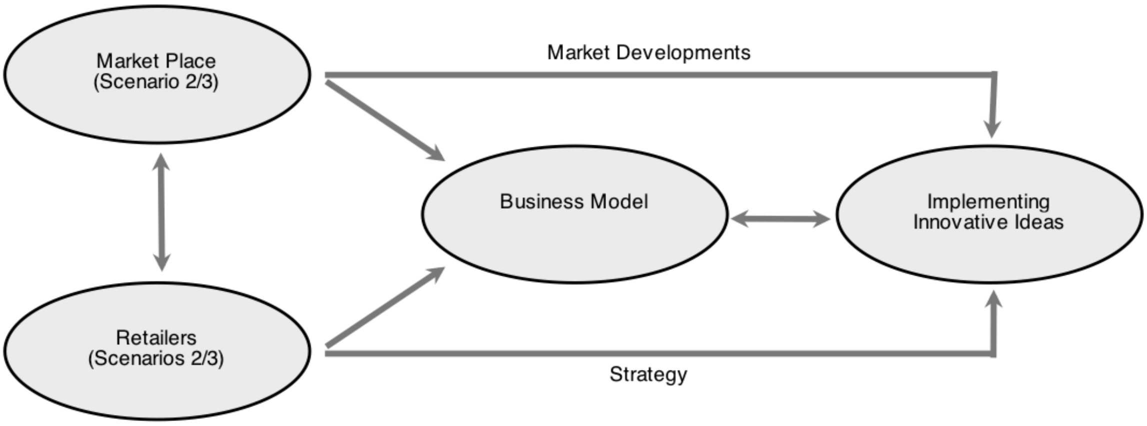

Figure 2.1 Theory Framework

The following theoretical framework will provide tools to analyze the sector situation first. Next, the existing business models will be summarized in categories and analyzed. The following part of the framework will describe ways to find innovational ideas and to run analysis on them. At last, innovational ideas will be placed in the context of the applying theories, which might give hints on a newly emerged business model.

2.1 Analyzing the Market Place: Sector Analysis

In the market place, there are many driver and factors, which determine a situation and consequentially the developments or changes. In the following paragraphs Porter's theory of 'Five Forces in the Marketplace' will be outlined, by which the analysis will be conducted.

According to Porter (1980) there are five forces in the marketplace, which have significant impact on enterprises in the market and their competitive advantage. He argues 'the collective strength of the forces' determines how an enterprise is doing, respectively how profitable it is (Porter, 1979). The following fields of forces are distinguished: threats of new market entries, suppliers, clients, threats of providers of substitute products and the threats of rivalry between competitors.

Figure 2.2 Five Forces That Shape Competition (Porter, 2008)

The threat of new entries forces the market to change, because the shares are automatically reallocated. This is probably the most prominent field of forces and for this investigation of great importance. Taking the low entry barriers of the plants and flower retail market into regard, this is exactly what happened. According to Porter (1979) there are six major determiners for barriers by which the degree of difficulty to enter can be estimated. 'Economies of scale, product differentiation, capital requirements, cost disadvantages independent of size, access to distribution channels and eventual government policies' belong to the measures.

Powerful suppliers and clients form the next fields of forces. They are strong when they are able to determine the conditions of business deals, so that an involved party underlies pressure and has no handling alternatives (Porter, 1979). Consequently suppliers are powerful, if certain conditions are met. To these conditions belong oligopoly situations, and it concerns products, which bring high switching costs for a client.
For clients, on the other hand it is common to bargain power in situations, where the intend is to buy large amounts or undifferentiated products where there are many alternative suppliers. Additionally, clients may have powerful sources of information to reflect on features and the belonging prices (Porter, 1997).

A fourth field of forces can found in substitute products, especially when clients recognize them as reasonable substitutes, which either offer higher values or better price performances (Porter, 1979). Even if they do not have a better price- or value performance, they may set new trends by just being "new and refreshing". Hence, substitutes may not always be an obvious threat.

The last field of force recognized by in the Five Forces model of Porter is the rivalry between the participants in a sector. Important to mention, this field is determined by the dynamics of the previous four fields. That means, if the sum of the conditions of the other forces is bad, the rivalry will most certainly be high. For instance, when the competitors in the market offer more or less the same products with little differentiation, so that switching costs are low, plus an eventual combination with low entry barriers or high exit costs is present, the rivalry can be tremendous.

For the investigation in the sector of plants and flowers, the most important driver of force eventually will be the threat of new entries. Due to the vast amount of players, which entered the market in the last years the impact might have been enormous. In combination with the other four factors, the analysis based on Porter will provide a clear view on the structures and even insight on the underlying reasons for change and innovative concepts.

2.2 Retailer Analysis

This part will cover the basics to get a proper understanding of an analyzed enterprise. It also will be useful to search for applications of innovative ideas, while trying to understand an organization in more detail during an interview.

The model which will be used throughout this part is the so called McKinsey 7-S Model. The model is based on the idea that organizations are more than just a structured enterprise. Organization rather can be characterized by the seven elements of the model. (Waterman, et al., 1980).

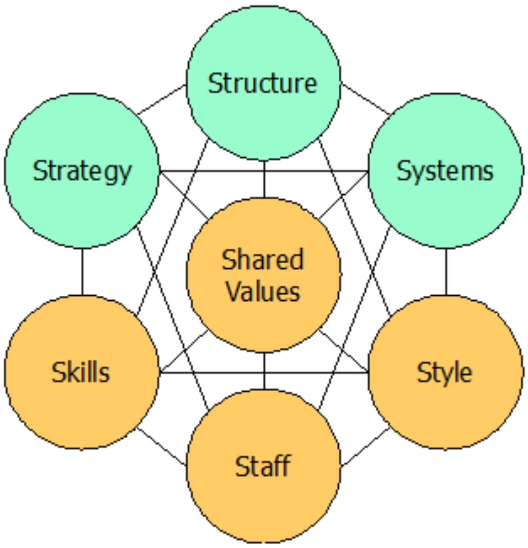

Figure 2.3 Scheme of the 7-S Model (Waterman et al. 1980)

Originally the models intention was to assess effectivity of organizations and if needed as a supportive tool regarding organizational strategy. According to this model, an organization is effective, if all seven elements behave well balanced to each other (Waterman, et al., 1980).

In the following paragraphs a short explanation and examples to each element will be given.

Shared Values: These are the values which are shared throughout the whole organization. They can also be described as the core values. Questions like “What is the right of existence?, Which main products or services are offered?, Who are the customers?, What is the market position?, etc. can give an indication what the central values are. Due to interactions with the other six elements a balance is reached when an organization is effective. In such a state the characteristics of a single elements are likely to fit with all other elements.

Strategy: Describes planned future actions of an organization and in which way they believe to reach targets. To outline an organization’s strategy, one may pose questions about the targets concerning measures like costs, productivity, innovation, quality management, employee motivation, image, etc.

Structure: Includes arrangements of labor division, coordination, hierarchy, information management, etc. Organigrams and other schemes and schedules can help to elaborate an organization’s structure.

Systems: These are the informal- and formal procedures of an organization. Examples are systems of administration including financial-, order-, planning-, protocol-, evaluation- and decision systems, etc. Systems determine how flexible and bureaucratic an organization is whereby the degree of systematization depends on the needs.
(MIntellS, Tools & Modellen, 2008)

Strategy, structure and systems (green elements) are the most tangible elements of this model. Things defined in these three areas, are usually expressed in written plans, or documentation. Meanwhile the other four yellow elements represent the softer and less tangible elements of an organization. They rather include things like values, abilities, culture and development. In contrast to the tangible, green elements, the yellow ones most certainly develop themselves over time. Consequentially, controlled steering is more difficult. (Waterman, et al., 1980)

Skills: Are represented in the ability of what an organization is excellent and better than others in. The right of existence may include the main skills as well. Examples for skills can be seen in quality, level of service or professionalism.

Staff: By staff is meant the knowledge and skills of employees as well as the personnel management in an organization, to which belong selection, education, evaluation and motivation. Statistics and ratios on gender, age, educational level, working experience, etc. give additional information to see whether the element is in balance with the others.

Style: Every organization has its own style when it comes to working manners. As one can imagine, style has to be appropriate and needs to refer to other organizational elements. Otherwise discrepancies may become visible. For instance, style can express itself in things like fast and flexible working, sober and proper working, working in environmental friendly ways, etc. Next to that, style is also present in management styles (autocratic, democratic, laissez-faire, etc.). (MIntellS, Tool & Modellen, 2008)

2.3 Business Models

Additionally to the retailers analysis an analysis especially dedicated to the Business Models of garden centers will be conducted as well, which is next to innovation the other main part of this study. The important thing, is to capture eventual changes in the business models of enterprises provoked by innovational sense, a useful tool of Giaglis et al. (2003) will be applied for this study. The authors extracted a framework to understand and analyze business models from several existing theories around this topic. Notably, the model of Giaglis et al. has a lot in common with models from other authors in this field. For example, Osterwalder once developed a similar model and gained higher popularity as well. However, the approach of Giaglis et al. has its value due to the combination of several theories and model of business models.

A way to apply this framework, is to do the analysis part of it twice. The first analysis elaborates characteristics of a business model before change happened due to an innovation. Then, the second analysis has to focus on the state of the business model today. By comparing both snapshots of the business model differences will become visible. The last and most critical step includes the conclusions drawing process, which has to elaborate whether the alternations can be attributed to an innovation.

The following model has been synthesized from 'a number of standard components' which have been identified by researchers in this field (Giaglis, et al., 2003).

The authors explain the dimensions as follows: The horizontal lines demonstrate 'primary components' of a business model.

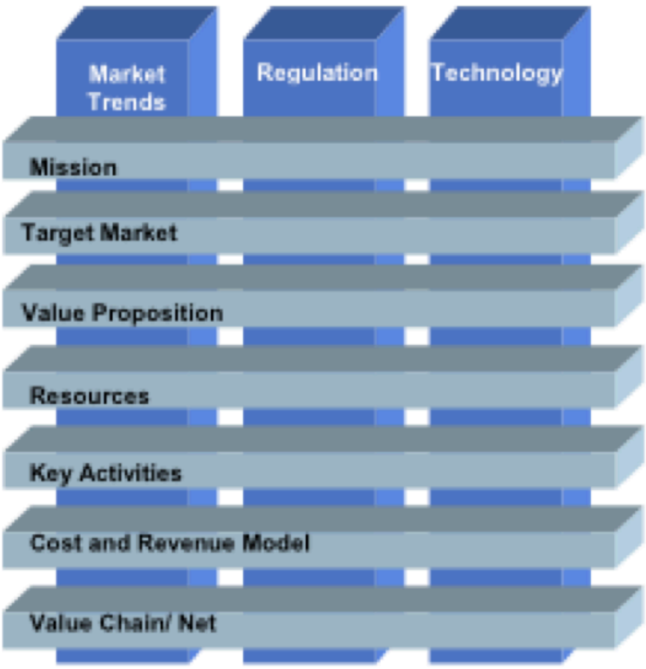

Figure 2.4 Components of Business Models (Giaglis, et al., 2003)

- Mission: Strategic Objectives
- Target Market: Scope and market segment

- Value Proposition: Product/service offering
- Resources: Capabilities, assets
- Key Activities: Intra- and inter-organizational processes
- Cost and Revenue Model: Cost and revenue streams, pricing policy
- Value Chain/Net: Position in the value chain and/or in alliances and partnerships

The vertical lines on the other hand, represent ‘underlying components of business models’ (Giaglis, et al., 2003). Those three components are the most common in the theories about business models. For this investigation, the field of ‘market trends’ will be the most significant one. Market trends are very likely to be the main component of many newly evolved business models in this sector. Changes in the sector are the actual reason for this study as the sector analysis (see chapter 2.2 Analyzing the Market Place) shows. Probably they are also the most influential driver for the changes. Technology and regulation might have impact on the business models in the sector as well, however they most certainly do not contribute as much as market trends.

2.4 The Types of Innovation

In the following section, the concept of an innovation and its relevant facets will be enlighten. Beginning with methods to identify innovative ideas in general terms and spaces in which an innovation occurs will be explained. Then, ways to differentiate between service- and product information will be elaborated. In the next step, innovations will be categorized according their degree of innovativeness in a typology. At last, a way to map an innovation according to its influence on the existing business model of an organization will be demonstrated.

2.4.1 Identifying an Innovation

There are several definitions and ways to interpret what can be counted as an innovation. To be able to classify which phenomena can be counted as one, the following definitions will make up the framework throughout this study:

- “Innovation is the successful exploitation of new ideas.” (Innovation Unit, 2004, Department of Trade and Industry, retrieved from Tidd et al, 2009)
- “Companies achieve competitive advantage through acts of innovation. They approach innovation in its broadest sense, including both new technologies and new ways of doing things.” (Porter M.E., 1990, The competitive advantage of Nations, Macmillan, London, retrieved from Tidd et al, 2009)
- “Innovation is a process through which new ideas, objects and practices are created, developed or reinvented.” (Rogers 1995; Kimberly 1981, retrieved from Walker et al., 2002)
- “It is most commonly associated with processes, products or procedures, or outcomes.” (Abernathy et al. 1983, retrieved from Walker et al., 2002)

These four definitions form a solid basis, when judging about innovativeness. Summarizing; products, processes or services can be seen as innovative, if the following criteria are met, referring to the definitions above:

- Successful exploitation of an idea
- The idea leads to a competitive advantage

• The idea can be exploited in tangible and intangible ways
• Innovation may take place in processes, not solely in single events
• Innovation may also mean reinvention or further development

As the definitions imply, innovation does not necessarily happen to products. Services or a combination of product plus a belonging service may also be counted as an innovation, likewise for processes which do not directly affect customers. The detailed concepts of service innovation will be elaborated later on (see chapter 2.5.3 The Difference between Product- and Service Innovation).

2.4.2 Where Innovation happens

Tidd et al. (2009) describe four spaces where one may encounter innovation. These spaces are more commonly known as the 4P's, which stand for product-, process-, position- and paradigm innovation. The differentiation according to the 4P model will enable this investigation to gain insight on the origin of an exploited idea as well as the probability of its success. Furthermore, analysis in this regard may provide deeper understanding what kind of innovations are common in certain situations or which conditions provoke what kind of innovations.

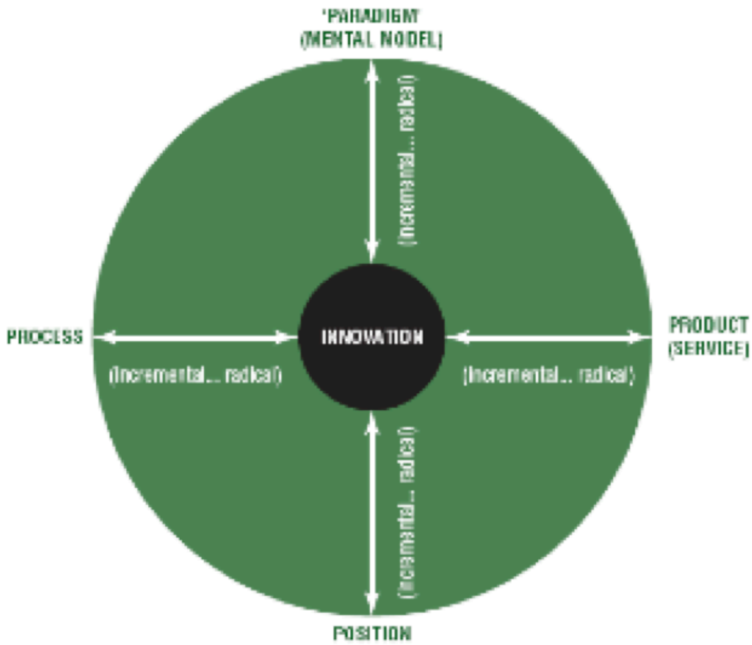

Figure 2.5.2 The 4Ps of innovation space (Tidd et al., 2005)

Tidd et al. (2009) thereby handle the following definitions of the four innovation spaces:

• A product innovation would be a complete new product or service. Examples are new types of cars or new insurance packages.
• In case of process innovation, the way in which something is created is new and/or innovative. It may apply to both; products and services. The introduction of robotics to produce goods is an example.

A warning given by the authors concerning the previous two innovation spaces are ambivalent innovations, which would fit in both spaces at time.

- Repositioning a product or a service can also take place in an innovative way. This is especially the case, when something is repositioned in a way that the same product or service shifts to more profitable regions. One can think of cheaper mobile network providers or low cost airlines.
- The last innovation space has a bit more of an abstract nature. It considers the space of paradigm innovation, which is reached, when the people change their view towards a product or a service entirely. For instance the current shift from psychologists to 'Live Coaches' in the US can be seen as paradigm innovation. The reputation of psychologists may hesitate people to consult them. Live Coaches in fact still are psychologists, but people perceive the idea differently, so that value is created.

For this study the position and paradigm innovation will most certainly play the biggest role. Since it investigates on retailers, where the production of plants and flowers or the creation of individual arrangements (like decoration stuff or bouquets) may be less present.

2.4.3 The Difference between Product- and Service Innovation

Service innovations have different characteristics than product innovations. Especially considering the belonging business model. Services shape businesses differently, compared to their tangible counterparts. To be able to answer the research question with respect to the point 'innovation resulting in business models', difference between product- and service innovation is significant.

Characteristics of Services

Trott (2008) developed a model by which one can identify easily, whether something can be considered as a service or not. According to his model, a service "involves a number of activities which, when linked together can be described as a process" (Trott P., 2008). If taken the definitions of innovations at the beginning into consideration, there is mentioned innovation may occur in processes as well. Especially when services are involved there are high chances to encounter innovations as processes.

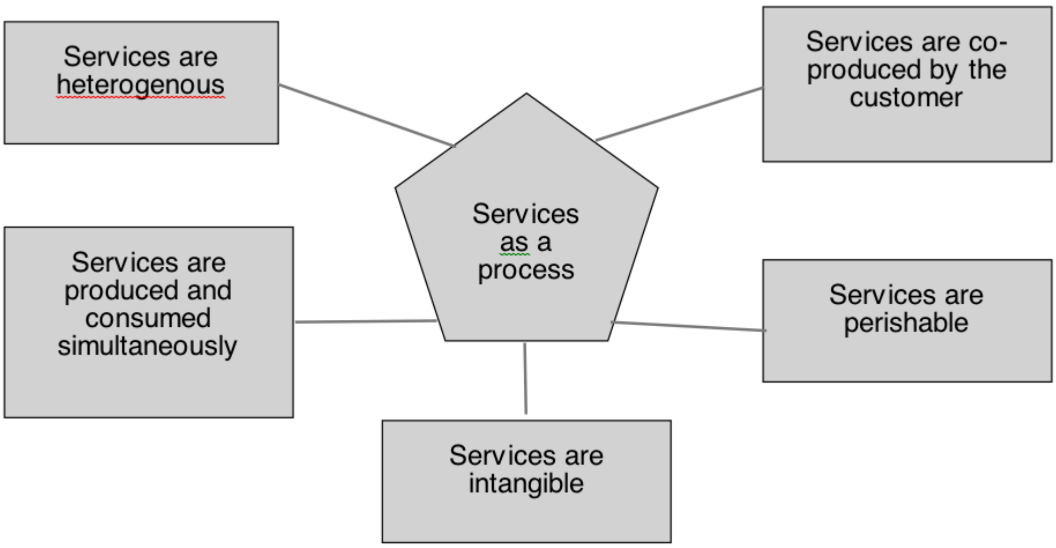

Figure 2.5.3 Services as a process (Trott, 2008)

Starting at the top left corner, 'Services are heterogeneous' means services are not offered always the exact same way. Due to the involvement of human beings which exploit activities to offer a service, the user experience cannot always be the same. Standardization and applied technology can reduce heterogeneity (Johne et al., 1998), but in a real service it will always be present. The next criterion is ‘Services are produced and consumed simultaneously’. Tangible products are produced and sold at different times, whereby intangible services can be described as a sort of interaction between employee and client. Besides, at least parts of a service are created in the moment of demand (Trott, 2008). ‘Services are intangible’ is the third criterion in the model of Trott (2008). If a tangible product is bought, it provides a function as a result. A service however is described as an intangible performance of somebody. Services can be seen as an informal activity which enjoy continuous development, hence they are processes well. At fourth, Trott (2008) argues ‘Service are perishable’, which implies a lack of ownership. By means, services cannot be ‘saved, stored, resold or returned’ (Trott, 2008). The last criterion of Trott (2008) to identify a service states ‘Services are co-produced by the customer’, because there is always some kind of interaction be client and service provider.

2.4.4 Typologies of Innovations

Now, that is clear how innovations can be identified and products or services be differentiated, it is necessary to apply a method to classify innovational phenomena. For both, products and services, there are comparable typologies.

Booz et al. (1982) differentiated between six stages of product innovation depending of the level of newness. This classification can be applied to products and services as well. Lovelook (1984) on the other hand created a classification which rather suits for services only. His work differentiated between six stages as well and depends on the level of change instead on the level newness.

The following table confronts both classifications and shows pairs of comparable stages in product- and service innovation. The top of the table shows the most radical types of innovation while and the bottom displays rather the incremental ones.

Table 2.5.4	
Product Innovations (based on the level of newness)	**Service Innovation (based on the level of change)**
New-to-the-world products: New products that not only represent a major or new challenge to the supplier, but which are also seen to be quite new in the eyes of customers	**Major innovation:** New services for markets as yet undefined; innovations usually driven by information and computer-based technologies
New product lines: New products which represent major new challenges to the supplier.	**Start-up businesses:** New services in a market that is already served by existing services.
Additions to existing product lines: New products that supplement a company’s established product lines, so rounding out the product mix	**New services for the market presently served:** New service offerings to existing customers of an organization (although the services may be available from other companies)
Improvements and revisions to existing products: New products that provide improved performance and so replace existing products	**Service line extensions:** Augmentations of the existing service line such as adding new menu items, new routes, and new courses

Repositionings: Existing products that are targeted to new markets or market segments	**Service improvements:** Changes in features of services that are currently being offered
	Style changes: The most common of all 'new services'; modest forms of visible changes that have an impact on customer perceptions, emotions and attitudes, with style changes that do not change the service fundamentally, only its appearance
Cost reduction: New products that provide similar performance at a lower cost of supply	
Table retrieved from Trott, 2008	

These typologies might help to encounter links between business model and innovational phenomena. They should create higher levels of understanding of mutual influences to identify successful combinations. As a Forfás study (2007) on Service and Innovation in Ireland showed, innovations can form business models, especially in service providing sectors.

Once an innovation is mapped according to the typologies of Booz et al. or Lovelock, the mapping can be put into the following model of the Forfás study.

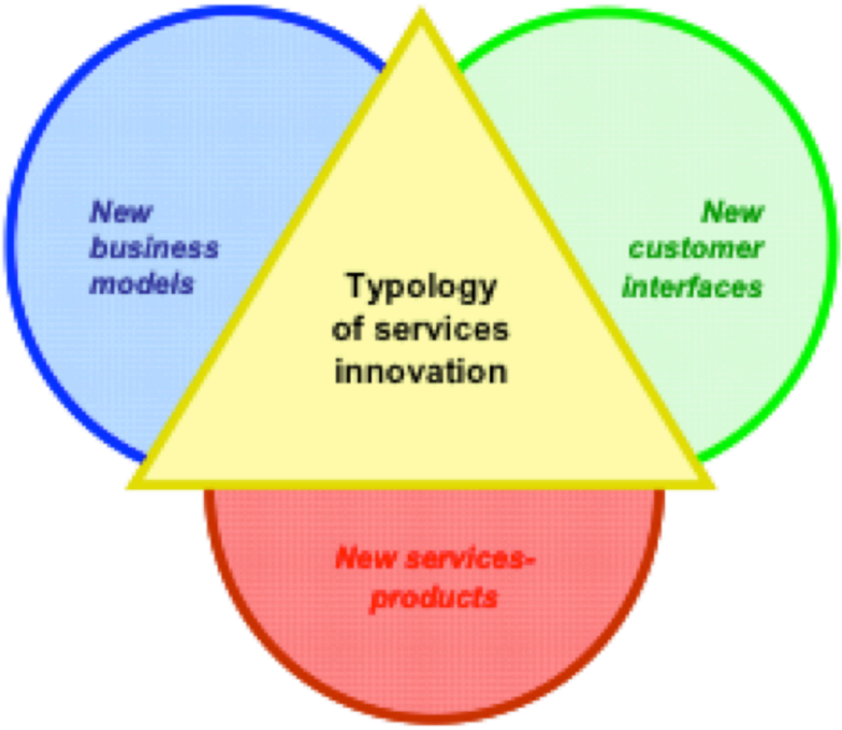

Figure 2.5.4 Typology of services innovation (Forfás, 2007)

According to this model, an innovation may have effects on the 'range of services or products, customer interfaces and in his ultimate form on the business model' (Forfás, 2007).
The red circle 'Range of service-product offerings' implies, that an innovative product is added alongside to the existing range of products or services. This would be the most simplistic form in which an innovation could end up. 'New customer interfaces or delivery interfaces' (green circle) describes an innovational process, which improves exchange of information between

customer and service provider in order to achieve higher performance. The ultimate form is reached, when innovational sense lies in the creation of an entire change in the way revenue is created: a 'new business' model has evolved (blue circle).

2.5 Summary

When taken figure 2.1 from the beginning of this chapter, plus the theory which has been outlined throughout this chapter into regard, the following figure emerges. This figure summarizes the theory framework which will be used in this study. Additionally, the logic correlations between the fields become visible.

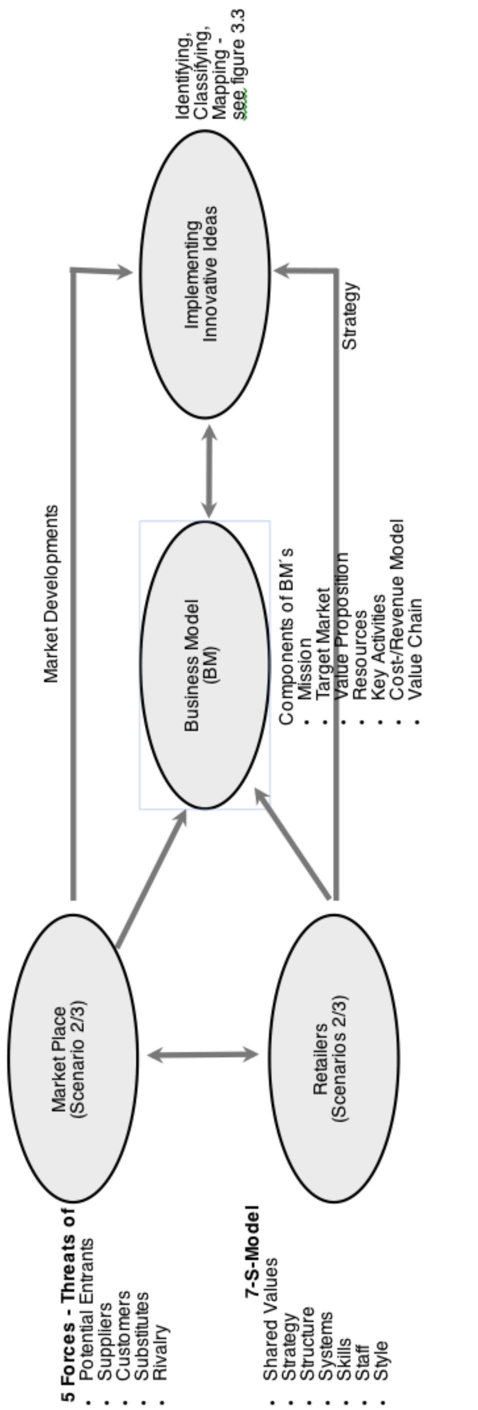

Figure 2.6 Theory Framework

3 Methodology

Within the following chapter the complete methodology used for this thesis will be explained. It considers, the selection process of units, the technique of investigation including its pros and cons, as well as issues regarding reliability and validity. In addition, the intentions of the four different parts of analysis (sector, retailer, business model and innovativeness) are clarified. At last, the way how results have been evaluated is elaborated.

3.1 Selecting Units of Observation / selecting Garden Centers

Selecting the units of observation has been a very critical part of this study. To be able to encounter sufficient innovative ideas, it has been vital to chose companies, which have development themselves recently and seem successful on the first sight. All interviewed garden centers recently rebuild their selling facilities (all within the past five years). This, as a criterion turned out to be very effective, since a rebuilding offered for all participants the occasion to change more and freed mind-space for innovative ideas. Although this process seems very selective, it has been crucial to have good examples, to see effects of innovation on business models more thoroughly. The only obliged criterion is to sell plants and flowers for both, in- and outside usage. All interviewed participants meet these requirements.

3.2 Interview Technique

All participants of the study have been interviewed in the same semi-structured way. This interview technique has been chosen for several reasons. First it allows to define an interview scope á priory, but leaves space for questions upcoming during the interview. These upcoming questions allow answers to be clarified, so that an intensive understanding is reached relatively easy. Due to the space for detail and depth, answers of the respondent can become saturated with validity. Even though complex concepts can be thoroughly explained during the interview, which is helpful, especially when trying to figure out about innovative phenomena. The open ended setup also allowed the respondent not to be prepared, which lead to reasonable commitment of the interviewed parties. At last, worth to mention, is the fact that the interaction between interviewer and respondent becomes more natural when having the interview just like a normal conversation instead of a predefined interrogation (Emans, 1985).

This leads automatically to the most important downside of the applied technique. Topics and questions need to be prepared well, otherwise the interview will not just seem like a conversation, but will become to one instead. That makes both parties loose focus and there are chances the desired topics will not get discussed in a timely manner. The whole interview results depend heavily on the skills of the interviewer. He may also give unconscious signals that guide the respondent to expected or social desirable answers. To avoid that problem, open ended questions have been posted. It still leaves the problem, the respondent may answer the first thing which comes into mind and time is wasted on too unimportant things. (Emans, 1985)

To get more prioritized and meaningful answers, that include the most important characteristics around a topic, parts of the critical incident method have been applied simultaneously. Applying this technique implies inter alia to pose questions using the superlative form of adjectives. Example: What has been “the most important”, “the worst”, “has the most impact”, (...)? Using such formulations, the respondent should personally be reminded to the most important incidents, positive and negative co-notated topics. Those incidents usually are the most easiest ones to recognize and therefore there are high chances that the respondent mentions relevant developments.

Regarding reliability, it is to be said, that it covers another weakness. Interviewer and interview partner tend to formulate questions and answers differently each time. In addition the sample size, especially in this case is too small. Normally another problem lies in the difficulty of the analysis of the gathered data, which is the nature of qualitative data. Since the data of different garden centers will not be compared directly and information on innovation will be extracted only, this is not too much of a problem. (Emans, 1985)

3.3 Questionnaires and Interviewing

Once it has been clear in which way the data would be gathered, questions for the semi-structured interviews needed to be defined. Note, these questions only formed the red line throughout an interview and space for alternations was left as well.

For all four parts of analysis (sector, retailer, business model, innovativeness) the questions were formed using the belonging theory from chapter 2. The formulated questions (see appendix 1 and 2) operationalize in the broadest sense all theory used. It may seem, that some parts of the questionnaire cannot directly be linked to innovation. For example, questions regarding an organizations’ structure may also reveal innovative sense. In the end, all questions, except from the set of innovativeness, served an ambivalent target. On the one hand it should perform as a background analysis to understand more about the organization and its innovativeness. On the other it was intended to reveal less obvious innovative phenomena.

Due to some overlap between the several parts of analysis’s, some questions are formulated but have not been posted during the interview, otherwise the same thing would have been asked twice. Overlapping questions are marked in the appendixes. In addition, many questions were not necessary to ask, because answers were observable. Those are marked too. Considering all characteristics of the questionnaire the designed length is approximated from 60 to 90 minutes. On average, most questions have been answered either directly from the respondent or by observations of the interviewer so that most interviews took 65 minutes.

All interviews took place with at least one of the companies directors and started with question set for innovativeness. This has been the basis for the conversations. Depending on the flow of the conversation, the questions were not necessarily posed in the same order. However, the interviews have been recorded on audio, which ensured answers are interpreted and summarized correctly. Prior to every interview, the facilities of each organization have been visited and observations been made for around 30 minutes. Next to that, the companies websites provided additional information and confirmation of observations.

3.4 Analysis

The next three paragraphs provide a short and general overview over the several parts of the analysis.

3.4.1 Sector Analysis

The first part contains the sector analysis. The information has been gathered mainly by interviewing. For the first general overview, a responsible from the 'Gartenbauzentrum der Landwirtschaftskammer NRW, Germany' (further abbreviated with LWK NRW) has been interviewed. Due to her profession as a consultant for garden centers, she can be categorized as a branch-expert. Several other in depth interviews took place with a board member of the FDF (Fachverband Deutscher Floristen), who is also founder and director of a garden center in Germany. Due his responsibilities at the concerning organizations much insight in the German and Dutch sector has been been obtained.
These interview have been executed in a semi-structured way using the market analysis questionnaire part from appendix 2. Afterwards a less formal conversation around the topic took place, which also brought useful information on the table and deepened understanding of the market situation. Additionally, specific sector information from the Rabobank and AMI institution (Agrarmarkt Informations-Gesellschaft mbH, Bonn) including facts and figures from the sector has been consulted. To obtain a more complete picture regarding both countries, The Netherlands and Germany, it has been necessary to enlighten the situation from more various perspectives. The companies which have been interviewed regarding their innovativeness, completed the same semi-structured interview as well. All information taken together is supposed to build the answer of research question one (chapter 1.4).

3.4.2 Retailer Analysis / Business Model Analysis

The reason why a special retailer analysis has been conducted prior to the analysis of the business models, is that the gathered information an all aspects has been needed to reach better understanding of the investigated organizations. First it has been a vital additional part to the business model analysis. Second it contributed much to the spill of this thesis; the analysis on innovational sense.

The business model analysis has been dedicated to be combined with the analysis on innovations. Whereby its intention laid in the sense to explore interactions between innovation and business models and how innovation affected the business model. Appendix 1 includes the questionnaire which has been used throughout these two parts of analysis. The interviews have been held in a semi structured way as well.

3.4.3 Analysis on Innovation

The intention within this section laid in the process of discovering innovation of the enterprises which took place in the last ten years. As one can see in appendix 1, the questionnaire has been much shorter and less precisely than the previous parts of the questionnaire. The reason; innovation is hard to discover and it also might have been subject to considerable biases when asking precisely or by using examples. By posing relatively open ended questions which do not steer the respondent in any direction, threats can be ruled out for the most parts. However, obtaining complete answers, respectively insight in a process of change depended mostly on the interviewers ability to recognize such processes. Furthermore differentiating correctly by innovational sense to decide, whether to dig into a phenomena or not, has solely been depended on the interviewers abilities as well. To make those decisions properly during an interrogation, the obtained knowledge of the market- and retailer analysis prepared and helped the interviewer.

3.5 Evaluation and Interpretation of Data

In this sections, the way information from the interviews has been interpreted and computed will be explained. This part includes the analysis parts of the retailer-, business model - and innovativeness combined two answer research questions two (chapter 1.4).
Once an interview has been completed it has been necessary to find out, whether something can be seen as innovational. The following criteria from chapter 2.5.1, helped to decide in a standardized way.

The criteria are as follows:

- Successful exploitation of an idea
- The idea leads to a competitive advantage
- The idea can be exploited in tangible and intangible ways
- Innovation may take place in processes, not solely in single events
- Innovation may also mean reinvention or further development

In case something innovational has been encountered, the following model has been applied to identify and to classify the innovation in question in a standardized way. Afterwards mapping into the adapted Forfás (2003) Model took place, to state the influence on the business model. The model has been derived from the theory used for the concept of innovation plus the theory framework from chapter 2. It summarizes the steps taken to identify, classify and to map.

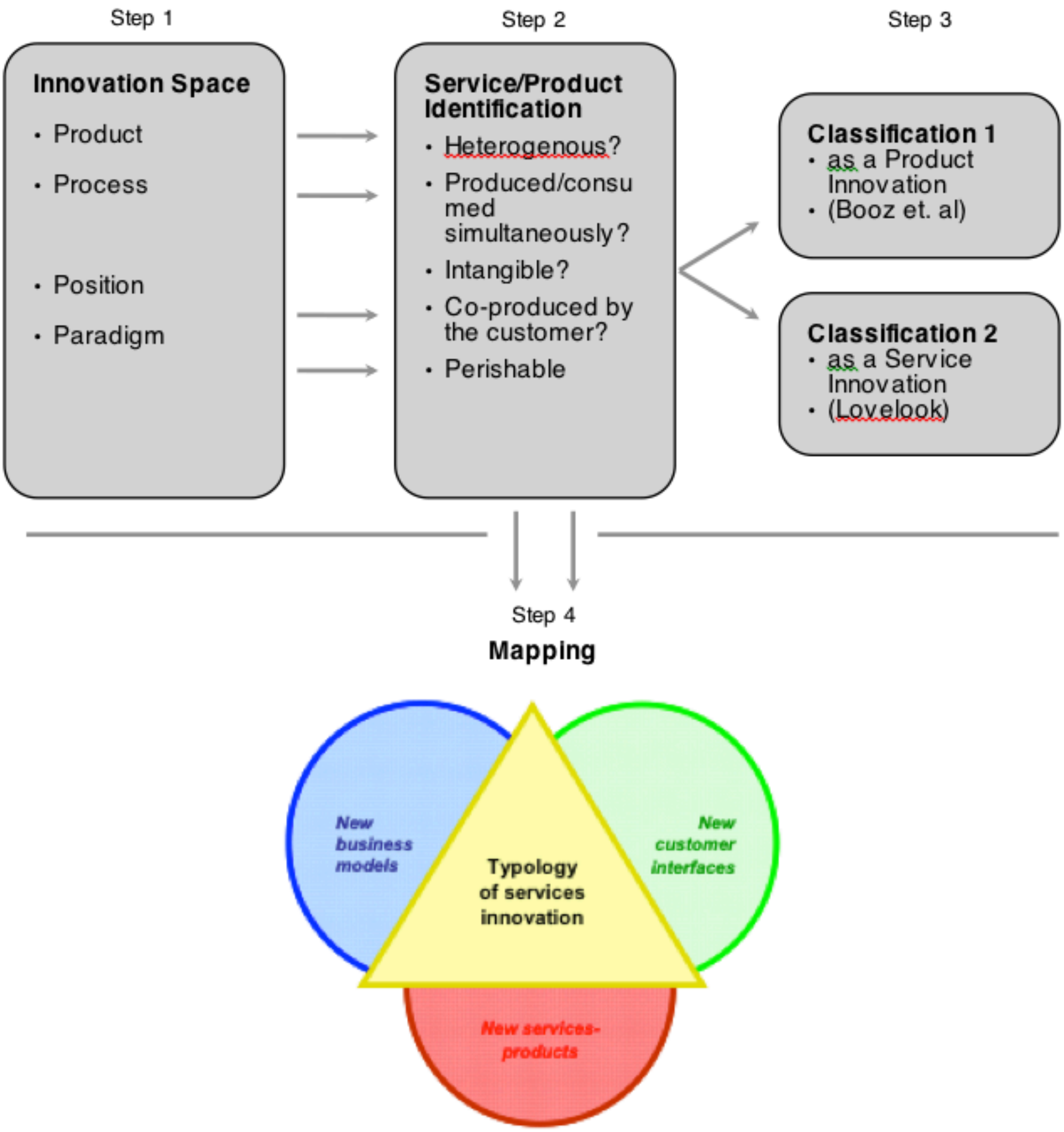

Figure 3.3 Classifying and Mapping of Innovations

The first step using the model is to identify the space where the innovation happened or in other words, what has been the basis of an innovation. These four alternatives all have different characteristics, which can be connected with the classification and the influence on the business model later on.

Step 2 was intended to figure out whether something can rather be seen as a product or as a service. Whereby, it may occur, that there are innovative processes which fit not in this part of the model. However, these will be the minority of all innovations encountered. The more bullets can be answered with 'yes' the higher the probability something can be counted as a service.

Step 3 classifies the innovation in question. The classifications reach from “completely new hence radical” to “solely improved performance or appearance, hence incremental”.

After all the background information of an innovation is evaluated by the first three steps of the model, step 4 performs the last step and gives an indication how much impact the innovation had on the business model of the garden center. In the end, the degree of impact will be explained by the prior classifications, so that causal relationships possibly may become visible.

4 Results

In chapter four, all results obtained by the investigations and the observations will be interpreted, explained to answer the research questions. The sub-research questions one will be answered in this chapter, while the last two sub-research question will be answered in chapter five.

4.1 Sector Analysis

In the following sections, a sector analysis will be conducted based on Porter's theories of five forces in a market place will be conducted. It used to determine the competitive situation by depicting five threats originating from different angles, the so called 'five forces'. This sector includes the market of garden centers in The Netherlands and Western Germany and answers sub research question one. Prior to the five forces analysis, a short overview over recent trends in the sector will be given - including the chances present. Notably, independent garden centers will be considered exclusively in both parts of the sector analysis. Though no affiliates or franchise partners of any chain are considered, since they are not part of this study. During the whole sector analysis hints will be given about probable differences between the German and Dutch market. After the analysis has been completed a short overview and conclusion about the differences encountered will be provided. By comparing the two different countries better understanding of country related approaches to innovate will be ensured.

4.1.1 General Observations and Trends

In this section the most important noticeable trends and observations will be explained. This is to obtain a more complete picture of the present situation in the sector.

Customers

"Especially younger clients like it simple" stated a branch expert during one of the interviews. Meant is a certain laziness, which increasingly gains importance in this field. The focus on presentation techniques in garden centers is unprecedented in extends. Articles are presented either as completely finished arrangements of several products, or as single arrangement, with the different components placed within tangible reach. The latter variant is supposed to stimulate clients to immediate action. Both cases boil down to the point that garden centers try to prepare for the clients as much as possible, leaving only the ultimate buy decision to them. One expert mentioned a producer of perennials, which presented on the IPM 2011 (yearly fair for plants and flowers, Essen, Germany) a set of different but color-coordinated perennials for the garden, plus a paper template for the ground - indicating the correct placement of the plants. Planting distances and final appearance are already taken into account. This example demonstrates the trend in producers and garden centers to use this space of innovation more extensively. However, there is a diametric development: at the moment, there is a trend to produce vegetables in the backyard or on one's balcony. Deliciousness and exclusiveness, but also a low carbon dioxide footprint are driving factors for customers. Fortunately, sustainability is heavily supported even in mainstream politics, which creates a major positive interest for this sector. Currently, the market seems rather divided when it comes to the question whether or not to put personal effort into gardening, but branch experts and the investigated garden centers believe that laziness in gardening will gain priority.

On the client side, another very visible trend is present: recreational intentions (Rabobank, Branche-informatie: detailhandel non-food, 2011). Customers see garden centers inclining [g1] as something recreational. This trend is also stimulated by the garden centers themselves. Numerous retail stores, including the candidates for the interview, try to offer a shopping experience by creating a comfortable atmosphere. The observations confirmed that the atmosphere factor has considerable impact. In two of the interviewed garden centers, an increasing number of customers (especially young families) even extend their visit for several hours. Next to the actual shopping experience, the reason for long visiting times lies in the surprising potential to experience an exclusive and inexpensive leisure activity.

Garden Centers

Most of the garden centers in The Netherlands and Western Germany try to position themselves as much as possible around plants and flowers, making these two product groups build the center of their activities. This statement coming from a branch expert and received confirmation by garden centers interviews. The reasons for this phenomenon lies in the origin of garden centers. Although they may offer many other additional products, every store once started with plants and flowers exclusively. For most garden centers, this focus allows also the possibility to have their rights of existence integrated by knowledge and experience to enable high quality handling of the main product groups and offering it as selling advices to their clients. Historically, all different stores from different sectors, have been offering every other product group leaving plants and flowers as the core business for garden centers. Surprisingly, most of the interviewed garden centers, were prepared to quit their activities if plants and flowers would ever shift away from their core business. Among the investigated garden centers, this attitude seemed to more present in Germany, than in The Netherlands. Dutch garden centers therefore seem more experimental in braking new grounds. However, the basic attitude to maintain preferably the living products could explain why the participants in the sector try to improve their knowledge base in order to provide higher quality and better selling advice. The same reasoning applies to the fact, that garden centers increasingly combine plants and flowers with hardware decoration as a kind of completely processed decoration accessoires. Both tendencies are intended to keep up the customers interest in the living products, despite the obvious signs of decreasing popularity.

Considering assortments, there are surprising developments currently going on, which in other sectors already are common since years. Similar to fashion sector, garden centers shifted their focus from product-related presentation towards theme-related product presentation within the past ten years. For example, within fashion by theme-related presentation describes the presentation of a suitable shirt and tie together with the suit. In the sector of plants and flowers such techniques recently became common. This technique was prevalent in every investigated garden centers across a wide span of products. The interviews with branch experts revealed that this applies for both countries for approximately to the same degree. All investigated garden centers presented many products using this technique, however the amount of products, to which this technique has been applied differs from garden center to garden center significantly (in both countries as well). The range starts with simple living room imitations where products are presented between a few pieces a furniture and led to complete apartment imitations, including bathrooms, kitchens, and living-room-adjacent verandas.

When talking about assortments, it is also conspicuous that fresh-cut flowers are increasingly absent in garden centers. Especially the Dutch offer fresh-cut flowers in far lower quantities when compared with Germany. This downward trend is also a notable development in Germany, but the interest in fresh flowers is sustained there by creating custom floral arrangements with much creativity. The avoiding attitude of garden centers is most certainly based on the fact, that many food-discounters and supermarkets also offer fresh-cut flowers, fortunately for garden centers, with lower quality standards and less creativity in manufactured arrangements. Another reason can also be found in the e-commerce supply chain of fresh-cut flowers. At the moment the market of flowers shipped to the doormat is currently growing (Rabobank, Groothandel in bloemen en planten, 2011). Branch experts are not able to estimate when this development will reverse again.

This general trend is also mirrored in he German fresh-cut flower statistics, as they show also a slight overall decrease in revenue. During 2008, in Germany people spent together 3.175 million Euro for fresh-cut products and in 2010 approximately 100 million Euro less (AMI, 2011). That confirms the development why garden centers decreased their fresh-cut assortments.

4.1.2 Potential Entrants

The situation regarding potential entrants in the sector has two sides. The first side is considering the entrance opportunities in the sector of garden centers. That means, entering with the whole assortment, including plants, flowers, decoration hardware, probably gardening equipment and so on. With those intentions, the entrance in the sector is very difficult. First, much free space or ground is needed, since garden centers with a reasonable assortment at least have 4.000-8.000 square meters selling surface under a roof (most of the times on glass houses). Therefore the capital investments for glass houses of that sizes are heavy, plus the first purchases of thousands of different products. According to sector information of the Rabobank (Groothandel in bloemen en planten, 2011) it is essential to have a wide and deep assortment, since this is one of most common characteristics of garden centers expected by customers. The entrance from scratch is not very common. For organizations which come from being a producer to become a retailer, the step is not that far, since producing facilities can also be used a selling facilities with minor modifications. The same goes for organizations which already have one garden center and are about to establish own affiliates. That kinds of creations are more common than coming from scratch, but still it is a time consuming and difficult process according as stated by one of the branch expert.

The other side considers organizations from completely different sectors entering partially the sector of plants and flowers. For instance, chains of food-discounters, supermarkets, home improvement centers or furniture retailers entered the sector with plants and flowers in the recent years. That process often included entering of whole chains with every single affiliate or franchise partner. Normally, these chains sell just two or three product groups like plants or fresh-cut flowers to lure customers with special offers. For bigger retail-chain organizations entering the sector, seems not to be too difficult. The most important reasons therefore lies in the supply situation, which is exactly the same as for garden centers. The supply of even enormous amounts can be secured using the existing facilities of auction centers.

Concluding, the situation in this sector is a two sided sword in The Netherlands as well as in Western Germany where the situation in that respect is almost identical. On the one hand, the threats of new garden centers entering with reasonable assortments can be overseen relatively easy. However threats originating from different sectors, have far more impact on the sector. Those need to be watched carefully.

4.1.3 Suppliers

In the sector of garden centers, suppliers are not the most influential party involved. They do not form serious threats for example regarding oligopoly issues. During the whole investigation neither the interviewed organizations nor the branch-experts gave any signal of present issues. There seems to be enough competition in the market of the different suppliers for the different field of articles, so that garden centers do not directly have to face threats from them.

There is however a downside. Suppliers also recognize the shift in customer preference to more dead decoration articles, away from their living counterparts. They also recognize that garden centers are seeking for additional or substitute products with sufficient margins. Suppliers therefore tend to offer more dead products as well. In addition they directly advertise to garden centers to offer more than just decoration, plants and flowers. Accordingly garden centers might offer more products like bathroom- or kitchen equipment and cosmetics for example. Selling those articles additionally, in a common garden center may cannibalize revenues of plants and flowers. Some of the interviewed garden centers already indicated that there are slight signs of that cannibalism issues in their organizations. In the future, it therefore seems realistic that suppliers are able to push the whole sector situation into cannibalism of their core business, plants and flowers. If that would happen, the situation regarding substitute products or the degree of rivalry between competitors would change in parallel ways.

Summing up the situation, there are hardly no threats outgoing from suppliers momentarily. However, there are signs that this might change in the future.

4.1.4 Buyers

Buyers are the most influential party in this sector analysis. From them the most important threats of this five-forces analysis originate. Due to the developments in the expectations of customers the following points are challenging garden centers.

Beginning with the leisure time of normal customers. Due to a more stressful work life relationship than several years ago, customers want to experience something more exclusive, which is worth spending the time. For that reason, there are many customers, who want to shift activities from the inside to the outside to increase recreational factor. That is one of the major reasons why cooking outside and professional BBQing became very popular according to statements of garden center directors. The same goes the other way around. In colder times, customers often would like to have seasoning plants or spices to grow inside, which is not as easy as it seems. The threats at this stage are not provoked by the products, but rather by the expectations in the products (Rabobank, Groothandel in bloemen en planten, 2011). For the future, all the interviewed organizations have fears that it may become more difficult to fulfill customer expectations in respects of life expectancy of living products. Those expectations are projected to other product groups as well and let to the phenomenon of 'lifestyle' emerge, for instance. Customers expect more often products, which are unique and easy to handle at the same time. That is not always possible, when talking about living plants. When customers do not care about living products there arise two major problems. The first thing is, that the life expectancy decreases and customer become dissatisfied. The second problem lies in the consequence of the life expectancy. Either the products are replaced fast, which happens according to the interviewed garden centers in many cases, or living products become more and more replaced buy their dead counterparts like silk-flowers (especially in The Netherlands) or decoration hardware. When plants are replaced fast, it generally means higher turnover for garden centers. For those customers it often does not matter, whether their purchases fit in local temperature ranges or sunlight distribution. Though, they increasingly tend to buy inappropriate products as long as the appearance is suitable. All that comes down to a more difficult procurement situation having the right products with an attractive appearance, at right time and at the right place. The customers habits in addition with wrong procurement can be extremely threatening to garden centers revenues. If something little goes wrong, the financial damage can be heavy. Another consequence of the changing customer attitude may push garden centers more and more away from their core business, because that is what happens when customers keep buying less living products. That does not necessarily have to be a threat, it can also be a chance. However, some interviewed garden centers indicated to feel threatened by these developments.

Another very significant development, which leads also to handling problems of plants is the decrease in knowledge around plants on the consumer side resulting in a decrease of life times. For many reasons the general interest decreases and therefore the knowledge is conveyed to smaller extents. With the decreasing knowledge comes automatically less interest for plants and flowers according to the interviewed branch-experts. All interviewed garden centers strongly agreed to that statement. The decrease in interest is for the experts partially provoked by an increased supply of leisure time activities. That is the threatening side part. Luckily there is also a development especially in Western Germany going on, which stimulates to come back to the roots of human being, like enjoying nature and slowing to down from mechanized living. As elaborated in the section of 4.1.1 this is often in an environment where plants regain importance.

The increase in potential leisure time activities has another side effect forming an additional threat. Generally leisure time activities have to be paid. If there is an increase, the amount of money spent increases as well. When the discretionary income stays the same, it may affect the amount of money spent in garden centers negatively. Recent statistics show a little decrease of 1,3 per cent (AMI, 2011) in the amount of money spent for plants, flowers and decoration hardware in Germany, but it cannot be spoken of significant differences, yet. The interviewed branch-expert expects to see greater differences in the future.

Not only from that perspective a decrease in the market size may occur. It will decrease for the following reasons as well. Both, The Netherlands and Germany already have small issues with aging demographics according to the branch experts and the some of the interviewed garden centers. Many experts agree on the fact that the costs for retirement and health care will increase heavily within a very short time. Thereby the discretionary income will be affected too. In combination with the decreasing population plus less mobility of the elderly, the overall market size will decline. In the future this is expected to be biggest issue causing heavy threats to garden centers descending from customers.

Summarizing, the wish for more exclusive products as well as high products expectancies, plus the decrease in knowledge and interest around plants will challenge the sector. More importantly however, are the threats of the decreasing market size due to impact on the financials of the aging demographics.

4.1.5 Substitutes

The situation regarding substitute products in the sector of garden centers is a bit of an ambiguous nature. Beginning with plants and flowers as a decoration articles, there is only one group of articles, which may substitute the living products: hardware decoration. Important at this point, is a recent trend outgoing from the consumers. They tend to prefer dead products above living ones (AMI, 2011), which according to own observations especially applies to the Dutch, and to a slight smaller degrees to the Germans as well. It may seem as a real threat, however the situation less serious due to the wide assortment of typical garden centers. All investigated garden centers provide to a sufficient degree dead decoration articles next to, or in combination with plants or flowers, so that it compensates probable losses. The only threat in this case, presents itself in form of retailers from different sectors, selling (dead) articles for decoration purposes as well.

For other products groups of garden centers, there are hardly no threats with respect to substitutes. Plants and trees for outside usage are hardly not replaceable and if so, they are replaced by stones, ceramic statues or similar stuff, which normally is part of a typical garden center assortment too. The situation for product groups like BBQs, kitchen and bathroom equipment/accessoires, fashion, etc. can hardly be overseen.

In the end, the threats outflowing from substitutes are generally not of a very serious kind.

4.1.6 Rivalry among Competitors

The situation regarding the rivalry among competitors is two sided in case of the independent garden centers in the sector in Western Germany and The Netherlands.

One side includes the rivalry situation between independent garden centers only. That means, garden centers belonging to affiliate- or franchise chains are excluded. The situation in The Netherlands and Western Germany seems to be quite moderate. During the interviews the first thing which most directors came into mind, were competitors from dependent garden centers chains. While digging into the topic, it became clear that rivalry is mostly regional, whereby each independent garden center tries to find its own way. This development has also been recognized by the Rabobank (Groothandel bloemen en planten, 2011). While finding its own way, the focus lied at all investigated garden centers to create a certain style. There were garden centers, which focused to be middle-priced, while offering modest product quality. Another tried to find a way by enforcing the self-manufactured floral arrangements. There was also one center, which tried to create an image of very high quality products with more special appearance so that customers feel privileged to go shopping in that organization. In addition, there often seem to be a friendly basis between the independent competitors.

The other side includes the rivalry of the independent garden centers with the dependent ones (from affiliate- and franchise chains). Their relationship to each other seems to be stressful. Although these chains have higher priced articles according to the interviewed independent garden centers, they suffer mainly from advantages related to size. For example, the marketing activities or the psychological assistance for product placement is something, which independent garden centers cannot not afford to high extents. This also goes for procurement, which is centralized. These problems come down, to a more expensive cost structure of independent garden center, resulting in lower margins (Rabobank, Groothandel in bloemen en planten, 2011). Surprisingly, no interviewed garden center mentioned that dependent garden centers distract clients from the independent ones. But there is one party, which is not directly part of sector, but who does distract clients for mainly one product group and competes highly against the margins. These are stores, offering hardware decoration like in The Netherlands the retail chains ‘Action’ or ‘Blokker’. On the German side, the situation seems to be more relaxed since there no directly comparable retail chains existent.

Summarizing, the problems concerning the cost structure are the most critical part in the competition. General speaking the rivalry seems to be on a normal level. This however can be way different in other regions than the investigated ones.

4.1.7 Conclusion

Concluding it can be said, that the most threatening forces in the sector originate from the attitude of the customers. The trends in their behavior like ‘wanting things to go as easy as possible’ and their rising expectations regarding service and products forced garden centers to react. To accomplish this, garden centers improved heavily on their services and products, as well as they often broadened their product assortment. More and more garden centers try to be recreational to customers and offer a literally a shopping experience. ‘Buyers’ can therefore be categorized as the most threatening force in the sector of garden centers. By doing that there is a inclining number of garden centers becoming divers regarding product assortments, that they are shift away from their core business of plants and flowers. Next to them, the ‘potential entrants’ form the second most threatening force, especially competitors from different sectors, which offer plants and flowers to lure customers. These are the most important determiners of the sector situation. Forces like ‘substitutes, suppliers and the rivalry among competitors’ provide only modest threats, which garden centers are able to handle well, as the investigation has shown.

4.1.8 Differences between the German and Dutch Sector

Generally speaking, it has been hard to discover different approaches regarding innovation strategies, due to the small sample size. However, the target to gather more innovative ideas has been accomplished, as there were differences in this sample present. Whether the following differences can be generalized for the regions of The Netherlands and Western Germany cannot be stated at all. The following points are therefore only estimations to get an idea about likely differences.

It seems that Dutch garden centers more often introduced additional product groups like bathroom and kitchen accessoires while on the German side, vegetables, fruit and delicacies have been introduced. That comes down to the point, that German management sticks to a more conservative point of view and sticks more often to the core business, compared to the Dutch. Furthermore, The Netherlands seem to be more innovative regarding hardware decoration articles, which shows itself in the amount offered in garden centers.
The same goes for fresh-cut flowers and self created arrangements. It seems, that in Germany, fresh-cut flowers and arrangements have a proportionally bigger market share than in The Netherlands. Accordingly, the amount of self manufactured fresh-cut flower arrangements seems to be higher too. In fact, it even seems that German garden centers are more creative when manufacturing such arrangements. Meanwhile in the Netherlands silk flowers inclining become popular as fresh-cut flower replacements.
German garden centers seem to offer more frequently food deliciousness, vegetables/fruit and wine from local producers. In addition, German customers seem to have higher awareness

regarding carbon dioxide footprints, which may be the reason for the sensitivity of locally grown products compared with its Dutch counterparts.

These are the most common differences encountered. In any case, these differences contributed to the amount and diversity of innovative ideas, used in the proposed innovation strategies.

4.2 Analysis on Encountered Innovations

Chapter four describes the answer to the second sub-research question two, ‘which successful innovative ideas have been deployed by garden centers in the past years’. Also the the influence on the business models will be depicted. The sections 4.2.1 to 4.2.5 describe the most common and impact having innovative ideas encountered at the investigated garden centers. To enlighten the ideas, a thorough analysis on each phenomenon has been conducted. In section ‘4.2.6 Side Innovations’ additional ideas are described. However, those ones, were less common and their influence on the business model is also less extensive according to the information the interview brought up. For that reason each idea is shortly described, only.

4.2.1 Adding additional Products to the Assortment

Adding additional products to an assortment has been the most common innovation encountered in this study. These kinds of developments have been seen as innovative, because it primarily concerns new additional product assortments. Those new product groups are neither part of the core business of a garden center (botanic and floral articles) nor are they directly related to it. For a garden centers perspective, the following additional assortments can be seen as new:

- BBQ + equipment based on sole supplier ship by Weber
- Outside/mobile kitchens, based on sole supplier ship by Weber
- Furniture for outside purposes
- Fishes and ponds + equipment
- Pets + equipment
- Fashion for outside purposes
- Literature (sector related and for kids), food delicacies, wine
- Writing utilities (pen & paper)
- Cosmetics
- Kitchen and bathroom articles, accessoires, decoration

All additional fields of products have been added by the concerning garden centers within the past ten years. Important to note, all interviewed participants are satisfied regarding the profitability of the new product groups. The only exception seems to be fashion. In fact the garden centers who have not already abandoned this outlier are considering it. Taken all together, it can be spoken of a successful exploitation of innovative ideas, which lead to competitive advantages.

The origin of the applied ideas lies in the intention to attract customers for more than just plants and flowers. The aim is to offer customers a wider range of products to increase revenues. The same applies to the amount of clients, which are supposed to increase as well. Considering the perspective of the client, the additional products groups round the picture of a garden center, where one can find ‘everything’ for inside and outside usage to improve style and atmosphere. This leaves for garden centers also space to exploit plants and flowers to more up-selling situations. For instance, the department for outside furniture can be decorated with plants which has positive effects on the selling opportunities for plants and improves the selling atmosphere for furniture simultaneously. The basis, where the ideas have been exploited in, fits best into the ‘product’ innovation space of Tidd et al. (2009).

Putting the additions to the assortment into the product related typology of innovation, it becomes clear, that all additions build ‘additions to existing product lines’ (Booz, et al. 1982). This implies that the degree of innovativeness is neither radical nor incremental. It rather can be described as modest, whereby the introduction is a bit more of a radical nature. The impact on the business model in general is not heavy, when only one additional field is added. However, the investigated garden centers introduced over the time several additional fields. So, multiple ‘new product groups’ do not change the business model completely, they rather extent it. Whereby all garden centers except from one added such a high amount of product groups, that they are on the shift to a different business model. When taking a closer look on the elements of the Giaglis business model scheme (2003), many elements change by product introductions. For instance, the ‘mission’ has broadened from ‘being a provider of plants and flowers’ to ‘being a provider for decoration of all kinds (hardware + living products) for in- and outside usage’. Over the time also the ‘target market’ increases too, “since especially younger people prefer hardware decoration” as stated by one of the interviewed branch-experts. The element of ‘value proposition’ is also affected due to a wider set of products. The ‘resources’, ‘key activities’ and the ‘cost and revenue model’ elements do not change significantly, since it still concerns articles for decoration purposes mostly. However the position in the ‘value chain’ developed itself. There is a trend that customers expect garden centers inclining to provide such a wide range of products according to interviews with garden centers and branch-experts. So, they shifted their position in the value chain according to customers expectations over the past years. Summarizing, it can be spoken of an business model that became overhauled or renewed by the inauguration of new product groups.

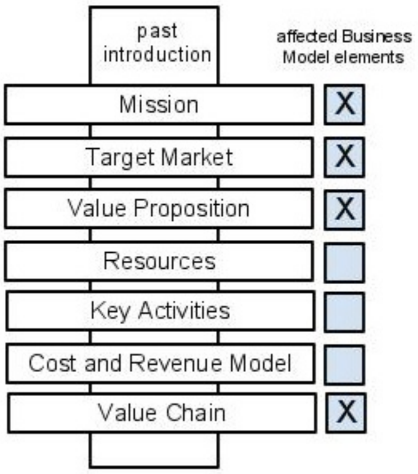

Figure 4.2.1 Overview affected Business Model elements (adapted from Giaglis, 2003) due to 'Adding additional Products to the Assortment'

4.2.2 Product Presentation in Examples

The way products are presented in garden centers has development enormously in the past years. Four of the five investigated centers present products and processed arrangements in ‘similar to home situations’. These simulations of home alike scenes include living-rooms… as well as outside scenarios like verandas. Then products, which fit into the such a situation are placed right in the and around the imitations. The following types are presentation have been encountered during the observations:

- Window sill and living room imitations
- Bathroom imitation
- Kitchen imitation
- Entrance (house) imitation
- Veranda imitation
- Ferry Tail alike castle for child-friendly products

When products are presented in those ways, clients have to use their imagination to a smaller extend, to decide whether something would fit in their home situation. The concerning garden centers indicated, that the extra effort in presentation is financially attractive, as it stimulates the buying behavior and diminishes hesitations. The selling strategy can therefore be seen as a successful exploited innovative idea, whereby the focus lies on the perfection of imitations and creating a home alike atmosphere.

The originate idea was to put products into more profitable ranges, which has been done by utilization of customers habits. The most recent trend demonstrates that customers prefer having things as easy as possible, which is the case, when fewer decisions have to be made and less imagination is necessary. Since actually the same products are sold, just in a different context, the idea matches with the innovation space of ‘position’ which is a very incremental basis for innovations (Tidd et al. 2009).

The applied technique can be identified as a ‘service’ which presents ideas or usage propositions of products to customers. The service innovation typology of ‘style changes’ is therefore applicable. Style changes apply to innovative ideas which make changes in the perception visible (Lovelook, 1984). This is the least radical form of a service innovation. Hence there is hardly influence on a garden centers business model as the way of how revenues are created in did not change. Only the element of ‘value proposition’ in the scheme of a business model (Giaglis et al, 2003) shifts, since products are present in a more valuable manner. The innovative selling technique therefore belongs to the area of ‘new customer interface’, as it improves exchange of information between customer and service provider.

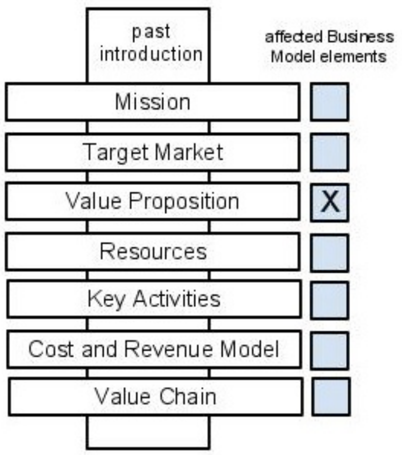

Figure 4.2.2 Overview affected Business Model elements (adapted from Giaglis, 2003) due to 'Product Presentation in Examples'

4.2.3 Catering Services: Café

Offering catering services in garden centers has become quite popular in the recent years. Mainly the intention is to keep customers longer periods of time inside the center, by having positive influence on their mood. Another reason to introduce such a service is to attract customers for more than just the shopping intention. If a café is available, the combination with a big sized garden center often provokes the association of a leisure time activity for several hours, when visiting a garden centers. The investigated garden centers observed a considerable amount of clients having the intention to visit the garden center solely for the café, but ending up shopping afterwards. Although the idea of offering a catering service is not a breakthrough, the combination of a professional café inside a garden center is a relatively recent exploited idea. In addition the concerning garden centers of this study implemented the extra facility in a profitable manner. According to the interviewed parties, that is not always the case in other garden centers. Summarizing the conditions, it can be spoken of an innovative idea in this regard.

The originate idea has been to attract customers for more diversified reasons to create additional revenues. Usually this innovative idea is exploited in the space of new ‘services’ at its basis according to Tidd et al (2009).

However, there are some subtypes within the cafés build on two extra innovation spaces. For the example, a café with ‘self service’, fits into the spaces of new ‘service’ and in the space ‘process’ innovation. Another example form cafés, which offer products in non-profit ranges, to attract client solely for a café or a dish in the first place. They on the other hand can be categorized in the spaces of a new ‘service’ and in the ‘position’ space. In general terms, to all mentioned types applies the typology of ‘service innovations’ of Lovelook (1984). In that respect a café can be described as a ‘new service for the market presently served’, which is a more radical type of innovation. Hence, the effects on the business model are profoundly. Taking the model of Giaglis (2003) into regard, every element of the business model scheme is affected. A café has its own products and core values, which means that ‘mission’ and ‘value proposition’ are affected. Also the target market becomes extended, since there are customers visiting a garden center only for the catering. That means, additional ‘resources’ are needed. At the same time, the key activities may shift, depending on the relation in revenues between the garden center itself and the catering service. Due to all the effects on the previous elements, the cost and revenue model may also be subject to a shift, which leads automatically to another position in the value chain. Hence, it can be stated, that introducing a café in a garden center equals an inauguration of a second business model. In the end, the characteristics of both business models become combined, resulting in a place, where customers can spend large amounts of leisure time while shopping decoration articles. Some of the investigated garden centers succeeded in altering their business model in this direction. In the next paragraph the topic of ‘seeing a garden centers visit as a leisure time activity’ will be discussed.

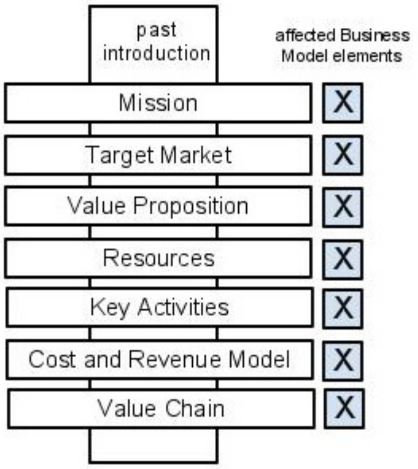

Figure 4.2.3 Overview affected Business Model elements (adapted from Giaglis, 2003) due to 'Catering Services: Café'

4.2.4 Declaring the Garden Center Visit as a Leisure Time Activity

Since many garden center inaugurated cafés, some of them started to try to convey a certain message to the customers. Two of the investigated garden centers convey the message of being a shopping center with recreational factor, which can be visited as a ‘leisure time activity’. That also means, the message does not necessarily aim to attract customers with a shopping intention in the first place, but also customers which rather want to spend some time with family or friends, without shopping intention. Especially the last part is the innovative part of the idea. The investigated garden centers also recognized a considerable amount customers, visiting their facilities without buying something or just drinking a coffee and eating cake or meals. Although they do not create revenue in the first place, these customers are potential future customers, which may also bring friends or family. That is, way the idea can be been as successfully exploited and therefore innovative.

The basis on which the innovative idea is exploited is the so called ‘paradigm’ innovation space which means, that it forms a new mental model (Tidd et al. 2009). Although there is no breakthrough, the main challenge is, that clients need to recognize the recreational factor, which prior has not been present in garden centers at such levels. Since for clients a visit in a garden center is different every time and the perceived experience is co-created by the client it can rather be spoken of a leisure time ‘service’ than of a ‘product’. It also concerns something intangible and perishable (Trott, 2008). Hence, the typology for service innovations applies. As this message is posted in advertisements in a silent but identifiable manner, and the idea applies to customers which are about to visit the garden center, the typology of ‘new services for the market presently served’ (Lovelook, 1984) fits. When mapping the influence on the business model, the situation gets ambivalent. Taking the elements of the ‘target market, resources and the cost and revenue model’ of Giaglis (2003) into regard, the implemented innovative idea does not affect any of them. However, the other half of the elements in a business model do change. Starting with the ‘mission’, which gains the facet of being a ‘provider for a leisure time activity’ next to ‘being a provider for plants, flowers and decoration’. Continuing with the ‘value proposition’, which will shift accordingly, since such an implementation has value to customers but does not directly generate revenue. The ‘key activities’, which may be a subject to influences too. This is dependent on the individual operationalization of the idea. Garden centers probably offer more professionally organized events, such as hiring clowns for the kids, famous chefs for product presentation in the BBQ department or offering classes on certain topics to be a real provider of leisure time activities. At last, the position in the 'value chain' is positively affected as the there is more and different value for the customer available. Taken all facets of the altered business models into regard, it can be spoken of a new, partial business model in such cases.

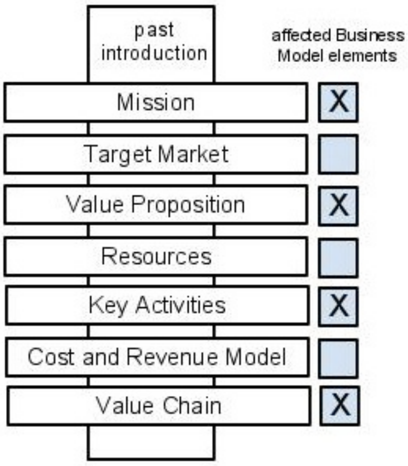

Figure 4.2.4 Overview affected Business Model elements (adapted from Giaglis, 2003) due to 'Declaring the Garden Center Visit as a Leisure Lime Activity'

4.2.5 Declaring the Garden Center as a Gift Shopping Center

Another message brought to customers from two of the investigated garden centers contains the message of being a 'gift-shopping-center'. According to interview information, one garden center goes even further by conveying the message of being a 'problem-solver' regarding gifts. This garden center believes, that many customers see just the need of having a gift for somebody else, while in many cases there is no further personal care for the recipient. For those clients the problem of 'needing a gift' presents itself. The garden center in question therefore tries to convey the problem-solver-message, which also seems to be a successfully exploited innovative idea according to the provided information.

The basis on which the idea has been realized falls clearly in the space of 'positioning'. Thereby is meant, that the products (the gifts) existed before and only the idea to position them better has been introduced. Due to this action on the mindset of customers, gifts are now more profitable. The actual core of the innovative idea, has only been exploited by bringing a message to the customers, so it neither be spoken of a new product, nor of a new service. Therefore, no element of the innovation typologies of Booz et al. (1982) or Lovelook (1984) is applicable, but the idea can be mapped into the Giaglis model (2003) to elaborate the influence on the business model. Taking a closer look on the elements, it becomes visible that only two of them are affected by the introduction of the idea. First, the 'mission' becomes extended. It now also includes to be known as a provider of gifts for multiple product groups. The second element includes the 'target market'. The market becomes also extended as there are now customers, looking for gifts only, which would not have visited the garden centers for anything else in the first place, according to managerial information. Concluding, the influence on the business model is not heavy and incrementally performed and fits into ranges of 'a new customer interface' as the exchange of information between customer and organization has improved.

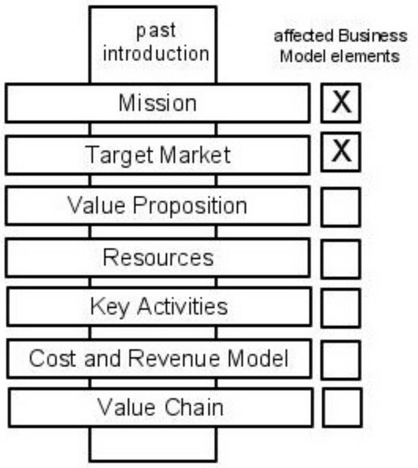

Figure 4.2.5 Overview affected Business Model elements (adapted from Giaglis, 2003) due to 'Declaring the Garden Center as a Gift Shopping Center'

4.2.6 Side Innovations

In this section the less common ideas are described shortly, using a bullet-point structure. Important to note: although less commonly implemented the exploitation still might be considered 'clever'.

Building a Castle, selling Child-friendly Products

Description

- Creating a child-friendly atmosphere by an imitation of an castle (approximately 40 square meters ground surface). Products for children between 8-15 years are presented inside, to stimulate parents to buy decoration articles for their children.

Background & Intention

- Trying to reach an under-supported customer group by offering child-friendly products, so that the connection to future customers (the kids) will be established as early as possible.

Basis of Innovation

- When trying to reach future customer groups, it can be spoken of an innovative idea in the space of ‘positioning’, in a way that child-friendly products create more revenues. In addition, many of the products offered in this castle have not been offered before, so another part of this idea is exploited in the innovation space of ‘new products’ to track more attention for the special assortment.

Type of Innovation

- On the one hand, it can be spoken of a ‘style change’ in terms of the product typology of innovations, because the perception for the products changed in the eyes of the parents, due to more a child-friendly environment. On the other hand, it can also be spoken of an ‘addition to existing product lines’ since especially kids-friendly decoration products have been added to round the assortment out.

Influence on the Business Model

- On the forehand it can be spoken of a ‘new customer interface’ due to the game with the perceptions and emotions on the parents side, since the exchange of product information between customers and the organization has been improved. In general the additional products also belong to decoration articles, so that there is no change in the way revenue is created, which leaves the business model unaffected. This part of the idea can be mapped into the category of 'new services/products'. Taken both parts together no influence on the business model can be stated.

Making Customers feel privileged

Description

- High price segment (also high quality products) on all product ranges, which allows to convey the emotion to be privileged, when shopping at the concerning garden center.

Background & Intention

- High quality is not the key factor, it can be seen rather as an essential. The innovative part of the idea contains the wish for higher revenues. The wish is realized by being very sober and professional on all aspects with all products to convey emotions, which justify higher prices in the eyes of the customer.

Basis of Innovation

- The innovative idea has been exploited in the space of product 'repositionings'. In general, the same products are sold, but according to interview information with higher margins. So the product is positioned to higher profitability.

Type of Innovation

- Since it neither be spoken of a product, nor of a service, the concerning typologies of innovation do not apply.

Influence on the Business Model

- This idea fits best into the category of 'new customer interface', because the customers know better what to expect from the garden center according to their own information, which comes down to a better exchange of information between customer and organization. That means, there is only little influence on the business model in the form of a higher position in the value chain. Also the target market shifted. Now it is supposed to contain more customers with above average income. The rest, however stayed the same.

Gift Corners

Description

- Each department has a corner or table only containing special gift offers with products from the according department in common gift-price categories.

Background & Intention

- Garden centers have many different departments and in this way the customer only has to choose a department in order to find a gift more easily. This idea also includes the idea from chapter 4.2.5, where a garden centers declare themselves as problem solvers when needing a gift.

Basis of Innovation

- The action can be seen as a 'positioning' in a way that enhances selling of this type of products. In general the same products are sold, but now declared for more purposes. Another the intention has been to get known at customers as a gift shopping center (see chapter 4.2.5). In that respect, it has been necessary for the garden center to position gifts in a pro-active way.

Type of Innovation

- Considering the typology of product innovations, the idea of having gift corners in each department fits into the category of 'repositionings' which is a very incremental form of an innovation. That means, that existing products are now targeted to different market segments (Booz et al. 1982).

Influence on the Business Model

- In general, the exchange of information between the customer and the organization has been improved, by emphasizing the gift corners in each department to the customers. Hence, influence on the business model in terms of the theory framework is almost not present. No elements like ‘mission, target market or the cost and revenue model’, for instance, changed due to the better positioning of gifts. This idea solely creates a new customer interface based on the more effective exchange of information.

Web Shop

Description

- Providing a broad assortment of products (including products from each department, expect pets and fishes) online. The shop is integrated in the companies website and appears as an own web shop, but technically the shop is on affiliate basis from a supplier for garden centers. This supplier is also charged with all included tasks; from having the products on stock to packaging and delivery. Although web shops became common, the integration of it in a garden centers is quite unique at the moment. It can therefore be counted as an innovative idea.

Background & Intention

- The main intention is to serve customers with pre-defined shopping targets. Besides, new customers, or customers which are not very familiar with the organization are intended to become new clients to get to know with the organization and its products. Broadening the customer groups and serving them, using a second online channel is supposed to lead to additional revenues.

Basis of Innovation

- The basis of this innovative idea lies in positioning of products. Using the online-channel a second position is created which can generate extra revenues.

Type of Innovation

- Since it neither be spoken of a product, nor of a service, the concerning typologies of innovation do not apply.

Influence on the Business Model

- The influence is according to the incremental nature of the idea rather subtle. There is no influence on the existing business model encounter-able as it is used as a second channel to retail products according to the director. (Remark: as this is only an application of an innovative method, and the concerning garden center does not create high revenues with the web shop, it has been categorized as a ‘side innovation’ in this thesis.) However, in terms of the Giaglis, the online channel has its own business model independent of revenues which runs parallel to the one of the garden center itself. There are several significant components in the business model of the online-shop which differ from the real garden centers business model. For example, the ‘mission’ online is “to serve customers with high availability (24/7) including fast shipment”, in contrast to offer the client “a broad perspective of products in a comfortable shopping environment”. The ‘target market’ changes from ‘occurrence and atmosphere shoppers’ to the side of the ‘target-shoppers’. ‘Key activities’ change also from ‘presenting products on shelves’ to ‘packaging’. Accordingly the ‘cost and revenue mode’ differs as well, since the costs for a proper appearance in the garden center stagnate, while total revenues (both online and garden center) may increase.

Summarizing, it can be spoken of an additional business model when introducing an online-shop, which runs parallel with the existing business model.

5 Research Conclusion & Advice

At the beginning of this chapter the conclusion from the investigations around innovations at garden centers and their influence on their business models will be drawn. This part is about to answer sub-research question 2. From sections 5.2 on, a managerial advice based on the conclusions of section 5.1 will be given. This also builds the answer to sub-research question three and contains two major innovation strategies for independent garden centers.

5.1 Summary of the Innovations encountered

To display to which degree the innovative ideas form new business models, the adapted Forfás model of business models (2003) has been used. The strength of this model is that all ideas can be mapped together in one scheme. The ideas have been differentiated between 'new product/service', 'new customer interface' and 'new business model' according. Most of the innovative ideas can be mapped as hybrids. Those can be found in the overlapping sectors of the circles. That means, such an idea contains has characteristics of a new business model and of new customer interface at the same time. '4.2.1 Additional product groups' for example lies on the border of a sector, which in this case means, that it is on the shift from just 'a new customer interface' to a 'new business model'.

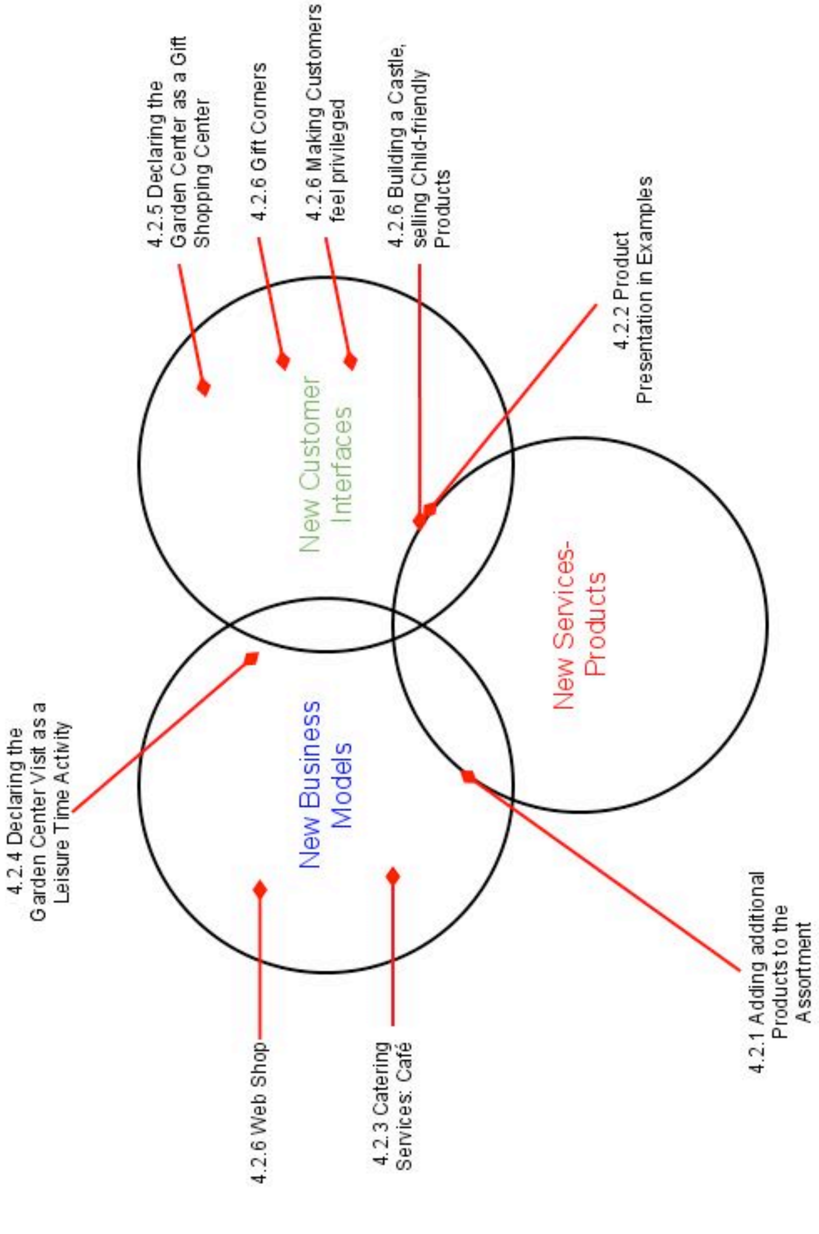

Figure 5.1.1 Mapping the encountered Innovations using the adapted Forfás Model

What immediately becomes clear is that the different ideas have all their own characteristics regarding the influence on a business model and also regarding their degree of innovativeness. In addition, each innovative idea has been placed into an innovation typology the previous chapter. Those different parts of the theory background can be combined. That means, that the typology of Lovelook (1984) and Booz et al. (1982) imply how radical or incremental an idea is. From that point, conclusions can be drawn to how influential an innovative was on a existing or new business model. Basically, this process can be described as the conversion from figure 5.1.1 to a more thorough interpretation of the influence on the business model of each innovative idea.

Considering the ideas of the chapters ‘4.2.2 Product Presentation in Examples’ and ‘4.2.6 Building a castle, selling Child-friendly product’ it has been identified that these belong to the service typology of ‘Style Changes’. Style changes generally do not have much influence on business models as they are the least radical form of service innovation. Implementation has shown that this is focused on the improvement of an existing business model.

A bit more radical are ideas from chapters ‘4.2.5 Declaring the Garden Center as a Gift Shopping Center’, ‘4.2.6 Making Customers feel privileged’ and ‘4.2.6 Gift Corners’. Gift corners can be directly categorized into the typology as ‘product repositioning’. The other ideas do not fit in any of the typologies as it neither be spoken of a service nor of a product. However, considering the incremental nature of the innovative ideas, they tend to improve an existing business model instead of changing it.

Another idea to improve an existing business model is to try to make use of popular brand names for products, by taking advantage out of an sole supplier ship (see appendix 3) and to advertise its exclusiveness. This can also be seen an incremental of form of innovation, to which also no service or product innovation typology applies.

All mentioned ideas so far have in common that they do not alter a business model heavily. Implementation of them means refining and improving the core business model around plants and flowers. The right half of figure 5.1.2 summarizes the ideas so far. In chapter 5.2 an innovation strategy will be elaborated en based on these findings.

The borderline between innovative ideas which will only improve a business model and others which change business models, can be found in the product or service innovation typology halfway. That means, if an idea can be identified in the upper half of the product or service innovation typology beginning at ‘addition to an existing product line’/‘service for the market presently served’ they most likely will affect the business model heavily.

For instance the idea of section ‘4.2.1 Adding additional products to the assortment’ usually comes down to the point that more and more non related plant or flower products become introduced. Those ideas therefore fit best in the quite radical product innovation typology of ‘addition to existing product lines’. Another example includes section ‘4.2.3 Catering Services: Café’. This can be seen as a ‘new service for the market presently served’ and actually means, that the business model of a garden center becomes extended with an additional one. Another service which fits into the same service innovation category is to ‘declare the garden center visit as a leisure time activity (section 4.2.4)’. Although the direct impact on the business model after implementation of this idea is less heavy it is certainly a heavy thing as this idea redefines strategy of an organization.

A last example considering a radical innovation is the implementation of ‘web shops (section 4.2.6)’. This is also an example which fits not directly into any of the innovation typologies but can regarded as one of the most radical innovations possible when talking about garden centers.

This second set of innovative implementations have in common that they are of a very radical kind. By implementation of those in the context of garden centers, the impact will be enormous and even complete new or parallel business models can emerge.

To obtain an overview over all facets of innovative ideas combined the following model (figure 5.1.2) has been derived from the theories used in chapter two. This model is also based on the insight gained in the sector analysis (chapter 4.1) and includes all main ideas of sections 4.2.1 to 4.2.5 as well as the so called ‘Side Innovations’ from section 4.2.6. Those major innovative ideas have been supplemented by ideas from appendix three, which not necessarily can be described as innovations, but which provide useful complementary content.

The first row in this model contains the innovation typologies. The abbreviation ‘P’ indicates product related typologies of Booz et al. (1982), while the abbreviation ‘S’ stands for the service related equivalents of Lovelook (1984). The horizontal arrows indicate, whether an innovation is of a more radical or incremental nature. The influence on an existing business model goes along side with this. On the left side it considers low influence innovations, while on the right it considers innovations which influence a business model heavily or even create a subversion.

In order to perform the advisory part of this study in order to answer sub-research question three, the summarizing and conclusive figure 5.1.2 includes also a part (lower part) which directly allows to derive innovation strategies as a managerial advice. Chapter 5.2 will cover thorough explanation of these.

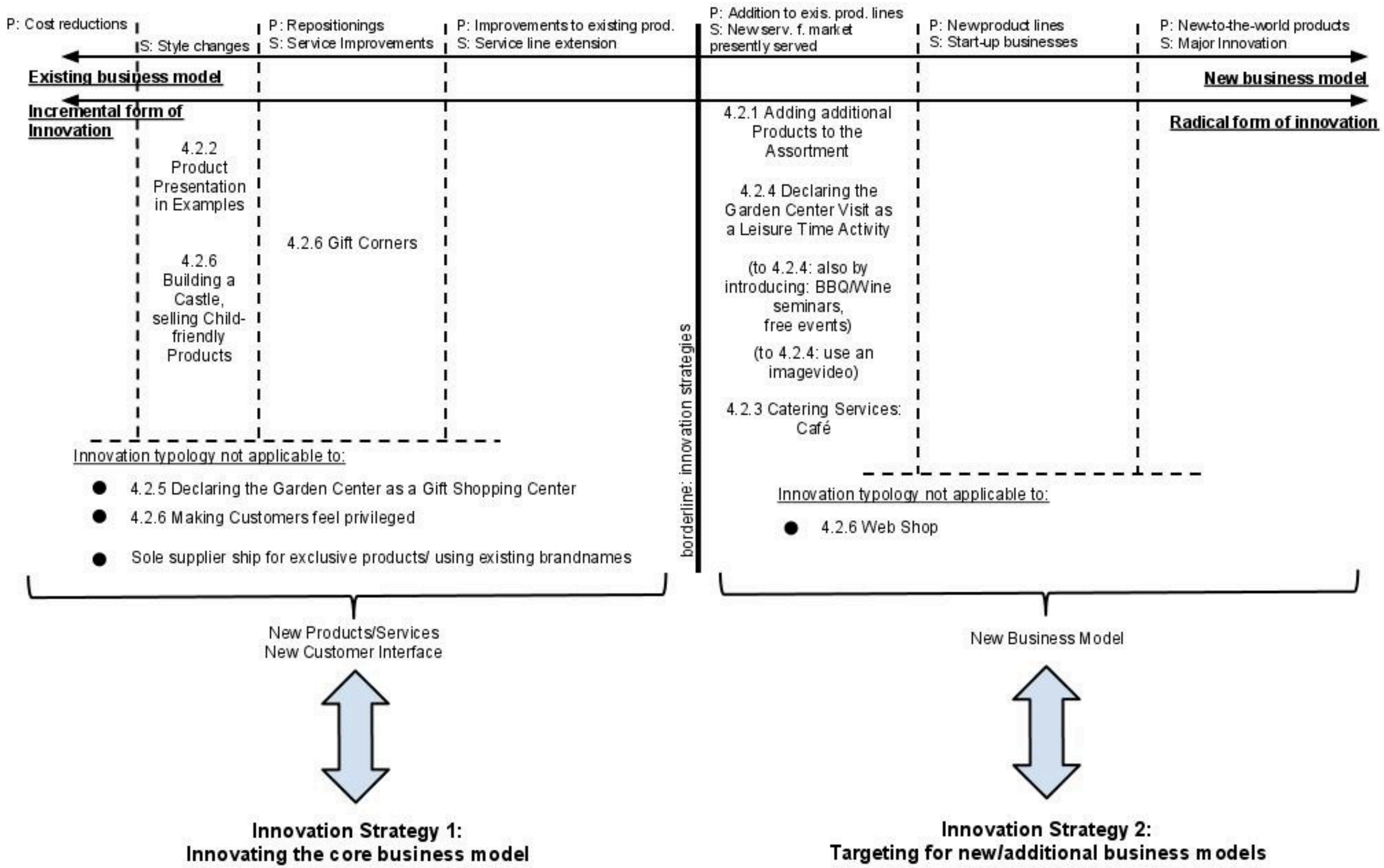

Figure 5.1.2: Combined overview of innovation typologies and derived innovation strategies

5.2 Managerial Advice

The following section aims to answer sub-research question three and the main question of this study. The gathered information, how garden centers innovated in the past years will be translated to two innovation strategies for garden centers which want to innovate as it becomes visible in figure '5.1 Combined overview of innovation typologies and derived innovation strategies'. Those two options flow out of the whole analysis, as these can be the most practical strategies for garden centers who did not innovate much, yet

The proposed strategies are divided according their influence which they will have on an existing business model. The first strategy elaborates a more conservative way with small influences on a business model. However, that does not mean that the content is less innovative. The second strategy aims to garden centers which are looking for profound change. When applying these propositions, the impact on the existing business model will weight heavier. Depending on the degree of integration, even a shift to new business models for garden center can be the result.

Both strategies have their own character and need to be applied according to the intentions of garden centers management and available resources in the first place. The resources needed for the strategies differ enormously. For instance, the second strategy will need higher capital investment than the first. Also important to notice, innovation strategy one and two can be applied together or in stages, starting with the first, continuing with the second. Both proposals are intended to improve a garden centers basis to create revenue, in other words, the business model will be improved. The strategies are extracted from real situations therefore include a certain amount of best practices. Due to this nature, chances are high that implementation become successful.

5.2.1 Innovation Strategy 1:

Innovating the core business model

This innovation strategy starts with the advice to introduce or to improve product presentation. It can be successful to present products in home alike situations. That can be done by imitating living rooms, kitchens, bathrooms, verandas and house entrances in a perfect manner, that customers are able to recognize similarities of the environment to their home situation. When that stage is reached, the products and decorative arrangements of the garden center can be placed in and around these imitations. This is supposed to stimulate customers for purchases of the placed products, as less imagination is necessary to decide a product is worth buying it. In addition proposals for usage or placements are given in order to decrease hesitations to decorate the home environment.

Once, a garden center has implemented this kind of product presentation, the appearance of the concerning garden centers seems more professional and a warm, home alike atmosphere is created as well. The appearance and the atmosphere are two essential ingredients of the next advice: if the garden center offers high quality products in addition, it can be very useful to try make customers feel privileged when shopping in such a garden center by emphasizing the special appearance and the quality level of products. On operational level, that would mean to exclude cheap looking products and to ask appropriate (not too high, not too low, just fair) prices for products. Another factor is mirrored in the way products are advertised. When trying to convey the feeling to customers (to be privileged) it is important not to advertise with low price related offers, but rather with the quality and the appearance of products.

To emphasize the exclusiveness factor from the previous section, a garden center may consider to purchase products from popular brands. For example 'Weber BBQs and Outdoor Kitchens' proved to provide that factor. In addition a sole supplier ship for product groups may enhance effectivity. The same could be done for kitchen equipment with exclusive ceramic sets of cups and plates also based on sole supplier ship.

Another innovative advice, which can be realized without affecting the business model is to create gift-corners in every department. Thereby is meant, that every department has a corner or a table on which constellations for gifts are presented. Important is, gifts need to be presented completely ready and nicely packaged, in typical price categories (without decimals) from something small of approximately 5-10 EUR to something for 50-100 EUR. This allows customers to choose by department only to find a suitable gift as easy as possible. In addition a garden center should announce publicly (including advertisements, press, etc.) to be a gift shopping. The combination of both can create the image of being a ‘problem solver’ when a gift is needed. Once a garden center is known for this, new customers are attracted and get in touch with other products of the garden center as well.

The last advice to garden centers, which want to innovate their business model, also aims on the attraction of new customers. Often, the customer group of children between 10 and 15 years are under supported and chances are left unused. It is therefore a strategic logical step to introduce products for this customer group in a child-friendly environment. Child-friendly facilities like little castles inside the garden center, where child-friendly decoration articles are presented, can form an innovative way to reach the under supported group. Children can get attracted to those products, while parents enable the purchase. Even in case this idea does not generate sufficient revenues to be financially attractive, the factor of building bonds with customers from young ages on, is of high importance at this point.

5.2.2 Innovation Strategy 2:

Targeting for new/additional business models

This strategy aims on the opening of the new business models territories. The first advice to garden centers, which want to innovate in this direction, is to inaugurate new product groups. Although the efforts in respects of knowledge, experience, space and first financial investment are high, it is the most common way to innovate. Common product groups include BBQ and outdoor kitchens, kitchen and bathroom equipment and accessoires, furniture for outside purposes, fishes and ponds, pets, fashion, literature (e.g. for children, cooking, planting, gardening), food delicacies, wine, writing utilities and cosmetic articles. These groups are proven to be financially attractive in garden centers if the one condition is met. General observation showed, that the more groups are added, the greater the shift to an altered business model. Remark: experience of the interviewed garden center showed, that a new department needs a certain size and a certain range of products. For customer it seems to be important that the self esteem of the garden center is conveyed (by size and product variety), so that he can trust in the expertise of the department. This would be more difficult if only a small test departments is established.)

Another, also very attractive way to innovate is to integrate a café or a restaurant in a garden center. Again, the first financial investment is high and specialized workforce is needed to run a catering facility properly, but the business model of a it harmonizes good with the model a garden center.

The next advice goes hand in hand with the previous one and it considers to declare a garden center visit as a leisure time activity for several hours publicly. When a garden center is diversified regarding its product as mentioned in the first advice and has catering facilities in addition it is very probable that customers schedule several hours for a visit. On the one hand, this feeling can be emphasized by additional offers like hiring clowns for children, hiring famous chefs for a more extensive BBQ presentation or offering classes for topics around gardening or decorating. Even complete programs where a customers can learn prepare their own dishes on an outdoor kitchen with additional wine confrontation are innovative and unconventional arrangements to underline the leisure time factor when visiting a garden center. On the other hand, those programs and activities need to be advertised in a way that underlines the recreational leisure time factor as well.

Once a garden center has a wide range of products and offers its customers several types activities, the problem of missing overview presents itself to many customers. Also, new customers probably do not know what to expect from the visit. A creative way to respond to this, is to work with image trailers on online based platforms like websites, social media and Google Places entries. An image video offers the possibility to present a garden center with the most important offerings within a very short time. In addition, the video can also be played on screens inside the garden center.

A last advice considers the introduction of an web-shop which offers at least the most common products of an garden center. This can be done independently by the garden center itself, or on affiliate basis. Since there is lot of expertise needed to run a web-shop especially when living products need to be packaged and shipped, the affiliate basis is an innovative way to introduce online-facilities with less efforts. The interesting thing of an affiliate basis is, that the web-shop is integrated on garden centers website and appears as an own web-shop, but in fact everything is provided by a specialized e-commerce company.

5.3 Additional Innovative Ideas

Appendix three contains a list of innovative ideas, which also have been encountered during the investigations at the garden centers. These ideas have been separated, because they are less innovative than the previous ones (in the context of garden centers). They also have had less impact on the existing business models. However, the garden centers indicated, that applications of these ideas had positive influence on their individual situations. In addition, these ideas can be described as clever approaches, which have been combined with elements of the two proposed innovation strategies. In that sense, it is to be advised to apply as many ideas as possible from appendix three, no matter, which innovation strategy leads the organization. This will stimulate innovativeness even more. Remark: this list could contain much more ideas, however these are the ones which turned to be effective and successful.

5.4 Further Research

In this section topics for further research will be discussed. Due to the focus and the limitations of this thesis, there are some things which could not have been investigated to a sufficient degree. However, it would be of high interest for stakeholders in this sector, if the following points will be investigated in future.

The most important thing concerns process innovation at garden centers. This thesis contains mostly information about product- and service innovation, which is visible to customers. However, there is also innovation going on behind the scenes, which means, the effects are not visible to customers directly. It is very likely, that this kind of innovation also shapes the situation in garden centers to a considerable degree. Examples are innovative applications in procurement, handling of goods, internal communication, technology, etc.

Also of interest is a financial analysis regarding the implementation of innovative ideas. In the end, many management decisions are based on financial aspects. As this research solely conducts analysis on qualitative aspects of innovative ideas, the financial side needs to be enlighten as well, to obtain a more complete picture.

Another, rather methodological issue is the sample size. It is desirable to be able to analyze in more detail about factors to success or failure between garden centers. At the moment this is only possible to small extend, which is based mainly on qualitative data. However, for reliable and valid comparisons a bigger sample size is needed, which preferably is contains more quantitative data. Therefore a methodological redesign is needed.

These are the most important aspects for further research on innovation at garden centers.

6 References

- AMI, Agrarmarkt Informations-Gesellschaft mbH (2011), Markt Daten, Zierpflanzen 2010, Marktforschungsdaten, Bonn
- Booz, Allen, Hamilton (1982). New Products for Management for the 1980s, Booz, Allen & Hamilton, New York
- Emans B. (1985). Interviewen, Theorie, techniek en training, Wolters-Noordhoff, Groningen
- Forfás (2007), Services and Innovation, Mapping of Policies and Support Measures in Ireland, retrieved on June 31st 2011 via http://www.proinno-europe.eu/doc/ireland.pdf
- Giaglis G.M., Pateli A.G., A Framework for Understanding and Analysing eBusiness Models, 16th Bled eCommerce Conference eTransformation Bled Slovenia, June 9-11, 2003, retrieved on July 18th 2011 via http://ecom.fov.uni-mb.si/proceedings.nsf/0/4c84233423603ad0c1256ea1002d1a29/$FILE/25Pateli.pdf
- Johne A., Storey C. (1998). New Service Development: A review of the literature and annotated bibliography, European Journal of Marketing, No. 32, 184-251
- Lovelook C.H. (1984). Developing and implementing new Services, in George W.R., Marshall C.E. (eds) Developing New Services (44-64), American Marketing Association, Chicago
- MIntellS, Tool & Modellen, 7-s-model Mc Kinsey, retrieved on July 20th 2011 via http://mintells.webs.com/toolsmodellen.htm
- Porter, M.E. (1979). How Competitive Forces Shape Strategy, Harvard Business Review, March/April
- Porter, M.E. (1980). Competitive Strategy, Free Press, New York
- Porter, M.E. (2008). The five Competitive Forces That Shape Strategy, HBR's Must-Reads on Strategy, Harvard Business Review, January, 25-40
- Rabobank Cijfers & Trends (2011), Branche-informatie: detailhandel non-food: Tuincentra, 35e jaargang, maart, retrieved on june 31st 2011 via www.rabobank.nl/cijfersentrends
- Rabobank Cijfers & Trends (2011), Branche-informatie: groothandel: Groothandel in bloemen en planten, 35e jaargang, april, retrieved on june 31st 2011 via www.rabobank.nl/cijfersentrends
- Tidd J., Bessant J. (2009). Managing Innovation, Integrating Technological, Market and Organizational Change, John Wiley & Sons Ltd., West Sussex
- Trott P. (2008). Innovation Management and new Product Development, Pearson Education, Essex
- Walker R.M., Jeanes E., Rowlands R. (2002). Measuring Innovation - Applying the Literature-based Innovation Output Indicator to public Services, Public Administration Vol. 80 No. 1, 2002 (201–214)
- Waterman R. Jr., Peters, T. and Phillips, J.R. (1980). Structure Is Not Organization, in Business Horizons, 23,3 June 1980. 14-26

7.1 Appendix 1

Appendix 1: Interview Questionnaire Dutch, Garden Centers

#	Subject	Question	Comments
	Legend:	Yellow marked: question belongs to the “Market Analysis”	
		Blue marked: question belongs to the “Retailer Analysis”	
		Green marked: question belongs to the “Business Model Analysis”	
		Red market: question belongs to the “Analysis on Innovativeness”	
1	Innovativeness	Hoe zag de algemene ontwikkeling van uw organisatie in de afgelopen tien jaar eruit?	
2		Wat zijn de meest opvallende veranderingen of ontwikkelingen binnen uw organisatie geweest?	
3		Welke veranderingen of ontwikkelingen vonden op basis van een intentie plaats?	
4		Welke veranderingen of ontwikkelingen vonden zonder intentie ofwel van zelf plaats?	
5		Wat waren in uw mening de meest belangrijke triggers voor deze veranderingen of ontwikkelingen geweest?	
6		Zijn er op dit moment veranderingen aan de gang?	
7		Zo ja, in welke staat of fase bevinden zich deze ontwikkelingen op dit moment?	
8		Kunt u de belangrijkste resultaten of verwachte resultaten uitleggen? Zijn er verschillen tussen het verwachte resultaat en het eigenlijke resultaat?	
9	Threats of new market entries	Wat zijn voor u de meest belangrijke voordelen ten opzichte van uw directe concurrentie? Wat zijn voor u de meest belangrijke nadelen ten opzichte van uw directe concurrentie? Op welke punten staat u voor of na?	
10	Clients	Wat zijn de meest opvallende karakteristieken van uw klanten?	
11	Suppliers	Wat zijn de meest opvallende karakteristieken van uw leveranciers?	
12	Threats of providers of substitute products	Welke producten (die u niet zelf verkoopt) vervangen uw soort producten het beste en zijn het meest van invloed? Wat zijn de expliciete gevolgen daarvan voor uw organisatie?	
13	Threats of rivalry between competitors	In welke mate is er concurrentie aanwezig en op welke gebieden concurrent u? Wat of wie zijn de meest invloedrijke factoren hierbij?	
14	Market Trends	Wat zijn voor u de meest belangrijkste veranderingen of trends in uw marktomgeving geweest (tot max. 10 jaar terug)? Als voor u de situatie voor en na de verandering bekijkt, wat is dan u conclusie?	
15	Technology	Wat zijn de meest gebruikelijke technologische hulpmiddelen voor uw organisatie?	Kunnen ook kleine technologische hulpmiddelen zijn die in andere sectoren al gebruikelijk zijn.

16	Value Proposition	Welke producten die u aanbiedt, zijn het meest waardevol in termen van omzet, verkoophoeveelheid en waarde voor de klant?	
17		Welke services die u aanbiedt, zijn het meest waardevol in termen van omzet, verkoophoeveelheid en waarde voor de klant?	
18		Worden er producten en services samen aangeboden en verkocht? Zo ja, welke combinaties zijn het meest waardevol in termen van omzet, verkoophoeveelheid en waarde voor de klant.	
19		Op welke punten verschilt uw organisatie het meest gemiddeld met de concurrentie?	Wordt niet gevraagd, antwoord al bij vraag 9 verkregen
20	Shared Values	Welke activiteiten zijn het meest waardevol en het meest van belang?	Wordt gevraagd, mits voldoende tijd.
21	Target Market	Kunt u uw marktsegment omschrijven? Op welke groep(en) van klanten doelt u?	
22	Shared Values	Welke groepen daarin zijn het meest van belang? Indien u activiteiten uitvoert, welke op het werven en binden van klanten doelen, wat zijn de meest essentiële ervan?	
23	Strategy	Waar staat u organisatie over 5 jaar?	
24		Indien u plannen heeft, wat zijn de meest wezenlijke kenmerken ervan met betrekking tot de visie en de verwezenlijking ervan?	
25	Mission	Heeft u organisatie een officieel geformuleerde missie? Zo ja, hoe luidt deze?	
26	Style	Heeft u organisatie een soort eigen stijl of filisofie?	Wordt normaliter niet gevraagd. Komt meestal overeen met vraag 25
27	Skills	Wat zijn de meest unieke eigenschappen van uw organisatie?	Wordt normaliter niet gevraagd, komt meestal overeen met vraag 9.
28		Wat zijn de belangrijkste sterktes en zwaktes van de gehele organisatie?	Wordt normaliter niet gevraagd, komt meestal overeen met vraag 9.
29	Staff / Resources	Welke eigenschappen of vaardigheden van uw personeel zijn het meest van belang?	
30		Hoe selecteert u personeel? Wat zijn de meest belangrijke criteria? Welk type personeel zou u in geen geval kunnen missen of zelf niet kunnen vervangen?	Wordt gevraagd, mits voldoende tijd.
31		Zijn er ontwikkelingsmogelijkheden voor het personeel? Zo ja, op welke manier? Ik welke mate wordt er gebruik van gemaakt, of wijst opleidingen, seminars, en dergelijke aan?	Wordt gevraagd, mits voldoende tijd.
32	Resources	Wat is naast het personeel en de producten/services die u verkoopt een onmisbaar grondstof, middel of bron voor uw organisatie?	
33	Key Activities		Geen vraag nodig, bekent door website.
34	Value Chain / Net	In productketen van het de verzorger of leverancier tot aan de klant, waar bevindt uw organisatie zich precies?	Wordt niet gevraagd, kan meestal uit het hele gesprek en observaties opgemaakt worden.
35		Maakt uw gebruik van partnerschappen (met leveranciers, concurrentie, andere organisaties) of heeft u corporaties? Zo ja wat hoe zien deze er precies uit?	

7.2 Appendix 2

Appendix 2: Questionnaire Branch-Expert (Market Analysis)

Subject	Question	Comments
Threats of new market entries	Wat zijn de moeilijkste drempels om de markt te betreden?	
Clients	Wat zijn de meest opvallende karakteristieken van klanten in deze sector?	
Suppliers	Wat zijn de meest opvallende karakteristieken van leveranciers in deze sector?	
Threats of providers of substitute products	Welke producten (die tuincentra niet zelf verkoopen) vervangen de sector typische producten (zoals planten en bloemen) het beste en zijn het meest van invloed? Wat zijn de expliciete gevolgen daarvan voor de tuincentra?	
Threats of rivalry between competitors	In welke mate is er concurrentie aanwezig en op welke gebieden is de concurrentie het meeste van invloed? Wat of wie zijn de meest invloedrijke factoren hierbij?	
Market Trends	Wat zijn voor de meest belangrijkste veranderingen of trends in deze sector geweest (tot max. 10 jaar terug)? Als voor u de situatie voor en na de veranderingen bekijkt, wat is dan u conclusie?	

7.3 Appendix 3

Appendix 3: Additional innovative Ideas

Description	Innovation Space	Service/ Product	Classification in Typology	Mapping	Background idea / problem to be solved	Result
Introduction professional customer routing	Process	n/a	n/a	New customer interface	Reach for longer visiting times, need for a clear concept to present all product, making shopping and finding of products easier for customers, providing better overview	Creating more valuable shopping experiences for the customer, better distributed revenues over all departments, probably higher overall revenues.
BAR-Code Checkout	Process	Service	Service Improvements	New customer interface	Faster customer handling, enables (automated) product management and controlling	Better controlling performances, keeping overall cost schemes tight
Computer supported product management (only possible with BAR-code Checkout	Process	n/a	n/a	n/a	Shortening turnover times, more effective procurement	Increasing revenue by enforcing turnover of high margin products or high popularity, reducing costs on products with low turnover rates, reducing costs due more effective procurement
Controlling by comparing (with partners, groups)	Process	n/a	n/a	n/a	Enhance financial situations, generally being more efficient/effective	Reducing costs, improving revenue
Organizing free events for children (kindergarten, primary schools) which convey knowledge about plants and nature	Product	Service	Service line extension	New services or products	Making children (potential future customers) sensitive for plants and flowers as decoration respectively source for food. Establishing bonds with potential future customers, being socially active to increase esteem of existing customers.	Children getting in touch with the topic, improving image at parents
Social Media Activity for publishing inhouse events and special offers	Process	n/a	n/a	New customer interface	Higher reach of people when publishing events, attracting additional customer groups, decreasing costs for advertisements	Higher publishing reach, decreased costs, attracting under supported customer groups (youth)
Lower amount of different products as it seems, due to clever products placement (in rows)	Position	n/a	n/a	New customer interface	Decreasing overall costs for procurement and stocks	Eventually decreased costs, hard to measure. Stimulated coorporate culture in regards of soberness, effectivity and efficieny
Big Pricetags with pictures of the future, fully grown plant, or example of placement, without text	Position	n/a	n/a	New customer interface	Increasing revenue of tagged products	
Special week offers of every department	Process	n/a	n/a	n/a	Keeping employees active and participating in daily business decisions, getting rid of too old products	
Friends Evening: every employee receives cards for x% discount for a certain evening, which they are free to give a away to friends and family	Process	Product	Cost reduction	New services or products	Attracting additional customers, enhancing customer loyalty	For that evening additional customer are attracted, on the long term hard enhanced customer loyalty