

**Evaluation of the Competitive Position
of the
Fraser Fir Christmas Tree**

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Division of Marketing
Division of Agricultural Statistics
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Introduction

This project was funded by the Agricultural Marketing Service (AMS), US Department of Agriculture, through a Federal State Market Improvement Program (FSMIP) grant. The North Carolina Department of Agriculture and Consumer Services, Divisions of Marketing and Agricultural Statistics, were responsible for conducting this project during 2001. The North Carolina Christmas Tree Association also provided assistance and advice.

Christmas tree production is an important part of the farm economy in the mountain counties of western North Carolina. Of the estimated 1600 Christmas tree growers in North Carolina, two thirds have operations with less than 10 acres of trees. Christmas tree production is a significant source of income for these small farmers. NC growers are experiencing increased competition for the market share in many traditional markets. As a result, NC growers must be more focused on marketing to survive.

One of the primary reasons farmers in western NC have been successful in growing Christmas trees is due to the species they produce. The Fraser fir species has excellent characteristics as a Christmas tree. NC Fraser fir trees are sold by retailers in NC and other southern states as well as throughout the continental US.

The Christmas tree industry is becoming more market driven and more competitive. Growers can no longer rely on simply having a good quality tree available. As production increases in other growing regions of the country, the NC Christmas tree industry will need to increase their marketing skills to compete.

The North Carolina Christmas Tree Association has identified the development of a long-term marketing strategy for the NC Fraser fir as a top priority for the industry. This marketing strategy will serve as a guide for future marketing promotions to increase demand for Fraser firs. It will also provide individual growers with information to improve their efforts to meet the needs of their customers. This will enable the Fraser fir Christmas tree industry to remain competitive in the marketplace and to expand their markets.

An effective marketing strategy must be based on accurate information about customer's product needs and preferences. It is also important to know the customer's current perceptions of your product compared to your competitor's product. However, there is very little market research available on the Christmas tree industry. This FSMIP marketing project was designed to provide information upon which a sound marketing plan can be based.

The primary goal of this study was to provide Christmas tree growers with information to help them develop a long-term marketing strategy and improve their ability to meet the needs of their retail customers. To meet this goal, the study focused on the following objectives:

1. Identify how retail buyers in the South, and selected states in the Northeast, Midwest, West, and Mid-Atlantic regions perceive the Fraser fir as a Christmas tree compared to other species.
2. Identify the factors important to buyers when selecting their source of Christmas trees.
3. Identify retail buyer's perceptions of their customer's preferences when selecting a Christmas tree.

Methodology

A Christmas Tree Buyer Survey was conducted by the North Carolina Department of Agriculture & Consumer Services, Agricultural Statistics Division from January through March 2001. A list of 1,285 buyers nationwide was provided by the NCDA&CS Marketing division with the assistance of the North Carolina Christmas Tree Association. There were 864 respondents to the survey. Responses were obtained by mail and telephone. Buyers were asked to provide information about perceptions of the Fraser fir as a Christmas tree compared to other species, their source of trees, and prices for several Christmas tree species, sizes, and grades.

Results

Characteristics of Buyers and Purchasing Information

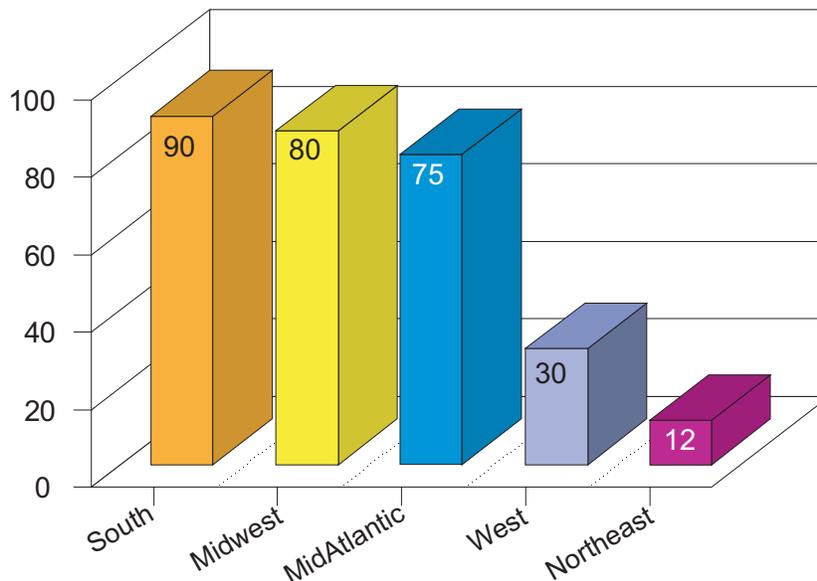
Buyers surveyed purchased over 2.5 million trees in 2000. Although 13% of the buyers were mass merchants, they purchased 49% of the trees. These same buyers estimated their 2005 intended Christmas tree purchases to increase by 8% from 2000 purchases.

Buyers in the mid-Atlantic and South purchased from an average of two suppliers. While buyers in the West and mid-West purchased from an average of three suppliers. Northeast buyers purchased trees from the largest number of suppliers with an average of over five suppliers.

Buyers by Region

There were 287 buyers that reported purchasing Christmas trees for resale in 2000. The largest number of buyers were from the South.

Number of Buyers By Region ¹

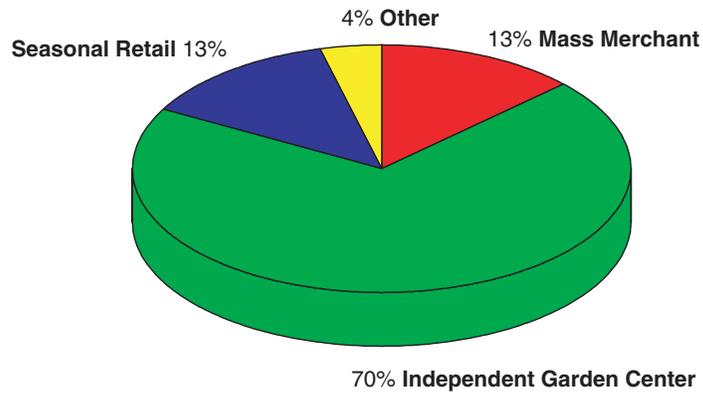


¹ South - AL, FL, GA, LA, MS, NC, SC, TN
Midwest - AR, KS, KY, IL, IN, MI, MN, MO, NE, OH
Mid-Atlantic - MD, PA, VA, WV
Northeast - CT, DE, MA, NH, NJ, NY, RI, Canada
West - AZ, CA, CO, MT, NM, NV, OK, OR, UT, WA

Type of Business Buying Christmas Trees

Christmas tree buyers represented three types of retail businesses. Independent garden centers was 70% of the total buyers, mass merchants 13%, seasonal retailers 13%, and all other retailers 4%.

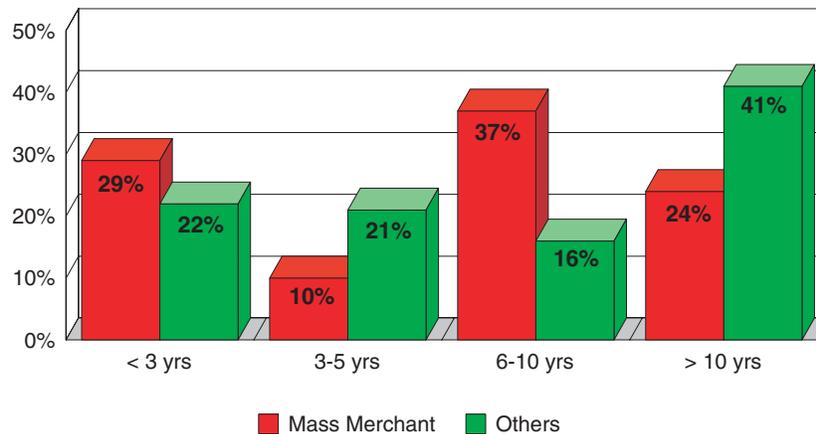
Type of Business Buying Christmas Trees



Experience in Purchasing Christmas Trees

The number of years buyers had been purchasing Christmas trees for resale was examined. Most of the buyers had six years or more experience in purchasing Christmas trees. However, a significant number of buyers had been purchasing trees for less than three years; 29% of mass merchants and 22% of all other retailers.

Years Purchasing Trees for Resale



Years Purchasing Trees from Largest Supplier

Fifty five percent of the mass merchants and 64% of other retailers reported purchasing trees from their largest supplier for five years or less. A significant percentage of these buyers had purchased from their largest supplier for less than three years; 31% of mass merchants and 41% of all other retailers.



Buyer Perceptions of Tree Species and Selection of Suppliers

Buyer Comparison of Species for Various Characteristics

Buyers were asked to compare Christmas tree species that they had purchased for overall appearance, color, needle retention, customer demand, and customer satisfaction. Each species was ranked for each characteristic from one to six with one being the best.

Buyers who had purchased Fraser fir trees selected this species as the best for overall appearance, color, needle retention, customer demand, and customer satisfaction. Although a smaller number of buyers reported purchasing Noble fir trees, those who did ranked it the best for overall appearance and customer demand. The Douglas fir was a strong second choice for each of these characteristics. Most of the buyers of Scotch pine, White pine, and Norway spruce ranked these species 3, 4, or 5 for each characteristic compared to other species.

Rank by Species for Various Characteristics

Overall Appearance								
Ranking	Fraser Fir	Douglas Fir	Noble Fir	Scotch Pine	White Pine	Norway Spruce	Balsam	All Others
1	133	18	16				3	3
2	31	72	16	19	14	4	9	10
3	6	34	8	34	21	10	3	17
4		12	6	25	22	10		6
5			3	14	20			
6				14	5	7		
Color								
Ranking	Fraser Fir	Douglas Fir	Noble Fir	Scotch Pine	White Pine	Norway Spruce	Balsam	All Others
1	118	12	8	4				19
2	18	63	23	15	10	3	11	8
3	10	35	7	27	17	7		3
4		12	3	18	26	7	4	
5			4	20	9	5		
6				9	5	9		
Needle Retention								
Ranking	Fraser Fir	Douglas Fir	Noble Fir	Scotch Pine	White Pine	Norway Spruce	Balsam	All Others
1	126	14	12	5	5	3		5
2	28	69	20	20	10	4	9	7
3	9	31	9	38	24	4	3	12
4		10	4	23	28	9		5
5		4	5	12	10	5		5
6		3		6	3	12		

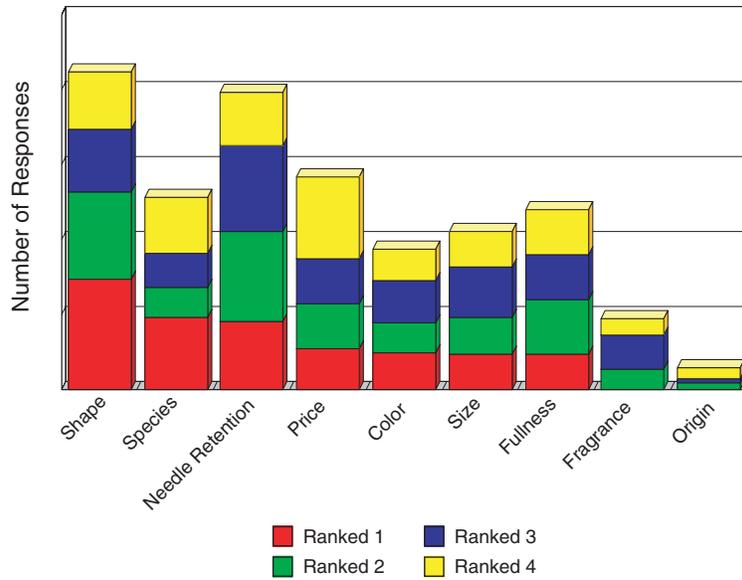
Customer Demand								
Ranking	Fraser Fir	Douglas Fir	Noble Fir	Scotch Pine	White Pine	Norway Spruce	Balsam	All Others
1	98	26	17	12			5	6
2	49	62	12	22	12		6	5
3	12	37	7	33	15	7	4	15
4	4	11	7	17	29	9		6
5			4	13	11	7		4
6			4	7	7	6		
Customer Satisfaction								
Ranking	Fraser Fir	Douglas Fir	Noble Fir	Scotch Pine	White Pine	Norway Spruce	Balsam	All Others
1	114	13	13	5		3	3	7
2	33	74	14	14	8		6	5
3	6	31	8	38	20	3	3	14
4		5	7	22	24	11		3
5			4	12	11	6		5
6				7	6	8		

Important Factors Used by Customers in Selecting Trees

Retailer buyers gave their opinion of the most important factors their customers use when selecting a Christmas tree. They were asked to rank various factors from 1 to 4 with 1 being the most important.

Retail buyers reported that tree shape was the most important factor to their customers when selecting a tree. Shape was the most important factor both in total rank and in number of respondents. This was followed by needle retention, species, and price. The origin of the tree was ranked as the least important factor to customers when selecting a tree. Care information was ranked by less than 3 buyers and not presented in the chart.

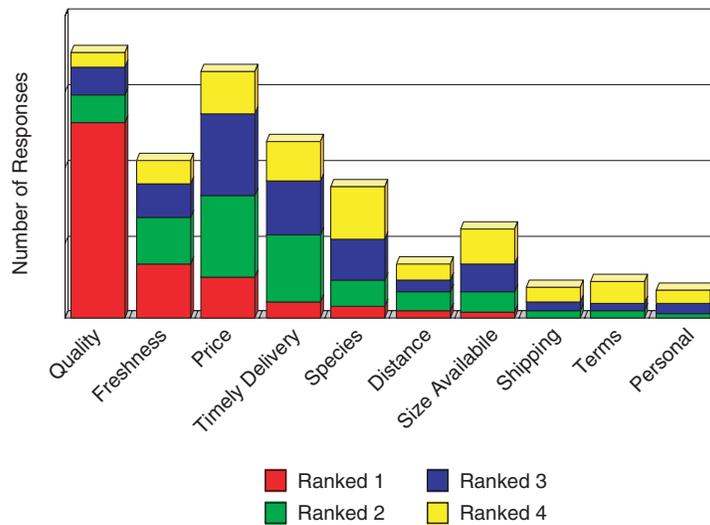
Reasons Customers Select Trees



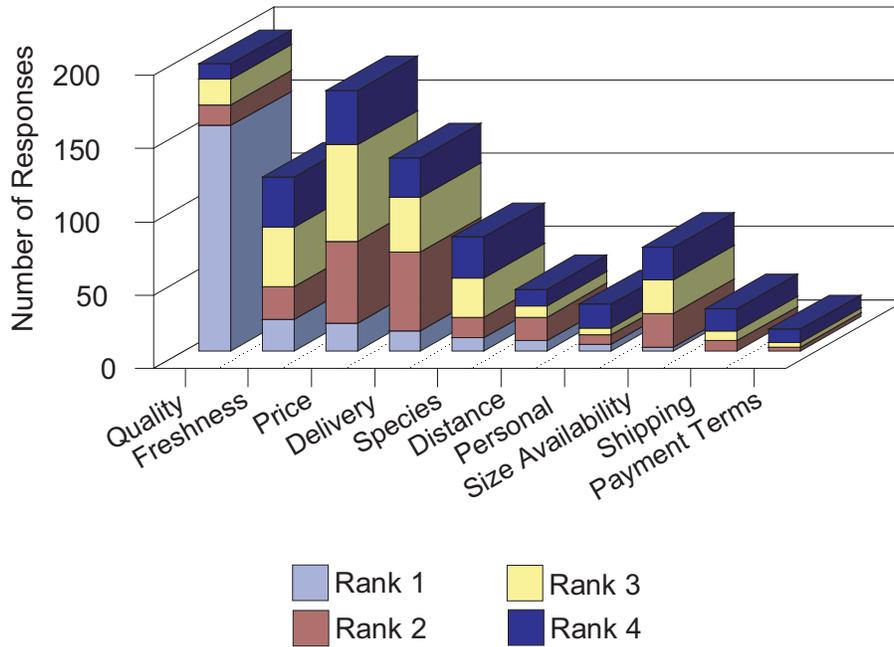
Reasons for Selecting a Christmas Tree Supplier

Buyers ranked their top four characteristics when selecting a supplier, and when choosing a NEW supplier of Christmas trees. In both cases, buyers ranked quality as the most important characteristic, followed by price, dependability of delivery, freshness, and species and size availability.

Reasons for Selecting New Supplier



Reason for Selecting Supplier



Price Information

Buyers provided wholesale delivered prices paid for a number of Christmas tree species, sizes and grades. The greatest number of respondents indicated that they had purchased Fraser fir, followed by Douglas fir, Scotch pine, White pine, Noble fir, Balsam fir, and Norway spruce.

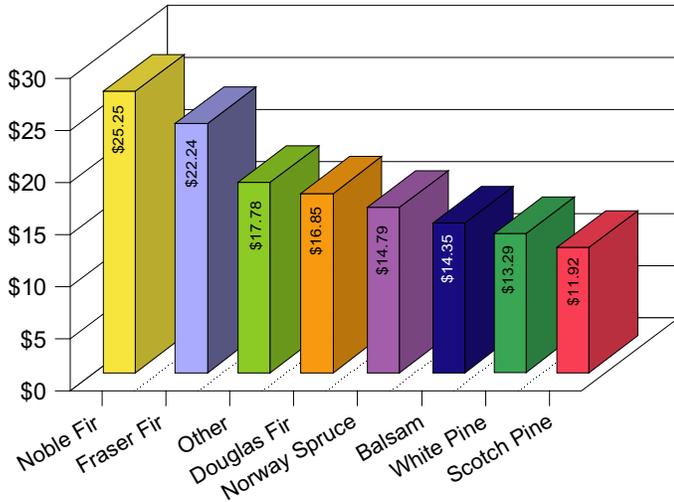
Number of Respondents by Species

Species	6 - 7 ft Wholesale \$ US#1	7 - 8 ft Wholesale \$ US#1	6 - 7 ft Average Retail Price	7 - 8 ft Average Retail Price
Noble Fir	20	15	24	19
Fraser Fir	182	174	214	200
Others	32	28	32	25
Balsam	17	17	21	21
Norway Spruce	14	9	17	10
Douglas Fir	103	82	112	88
White Pine	49	39	60	46
Scotch Pine	63	45	79	58

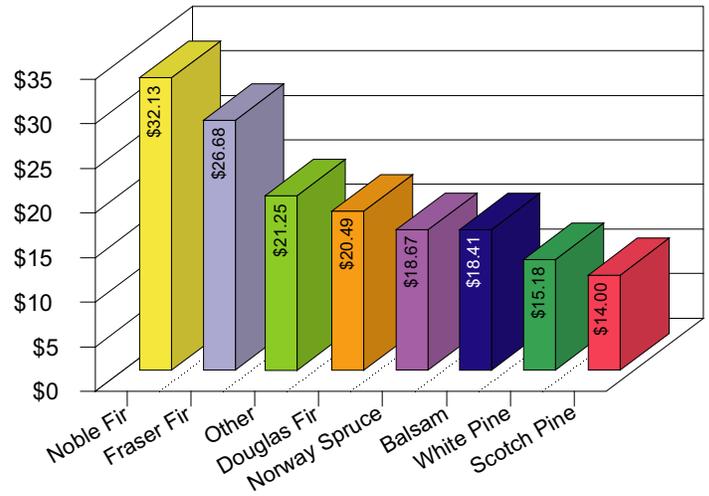
Wholesale Prices

The highest prices paid for trees were for Noble fir, followed by Fraser fir, Douglas fir, Norway spruce, Balsam fir, White pine, and Scotch pine. This trend was apparent for all species and grades of trees.

Average Wholesale Price 6' - 7' US #1



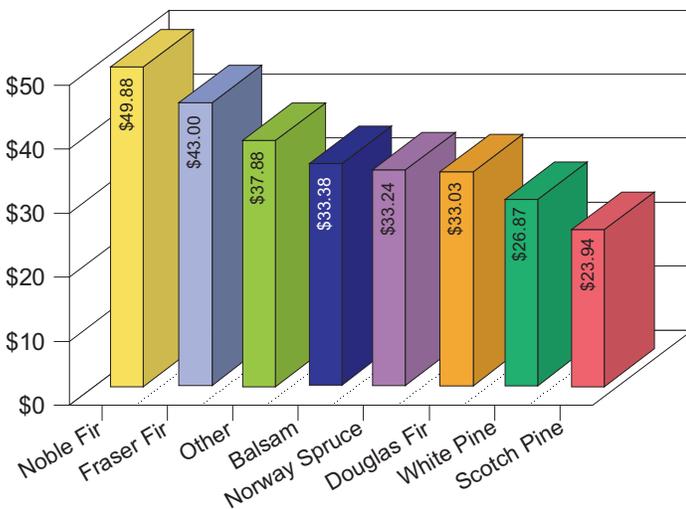
Average Wholesale Price 7' - 8' US #1



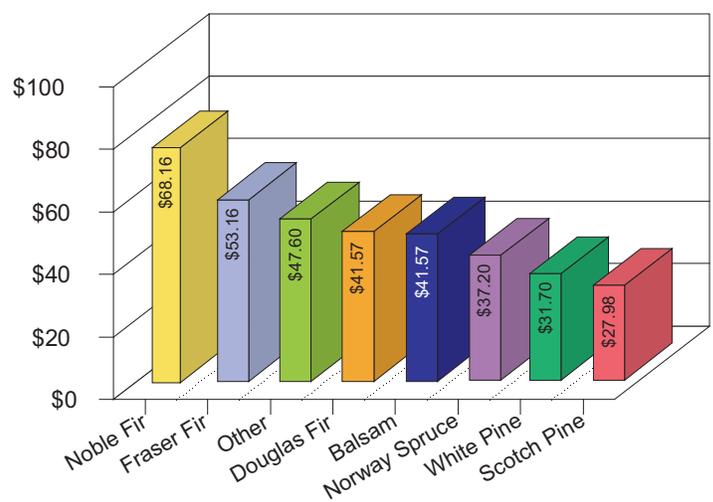
Retail Prices

The highest retail prices received for 6' trees were for Noble fir, followed by Fraser fir, Balsam fir, Norway spruce, Douglas fir, White pine, and Scotch pine. Retail prices for 7' trees were similar with the exception of Norway spruce, which received lower prices than Douglas fir and Balsam fir.

Average Retail Price 6' - 7'

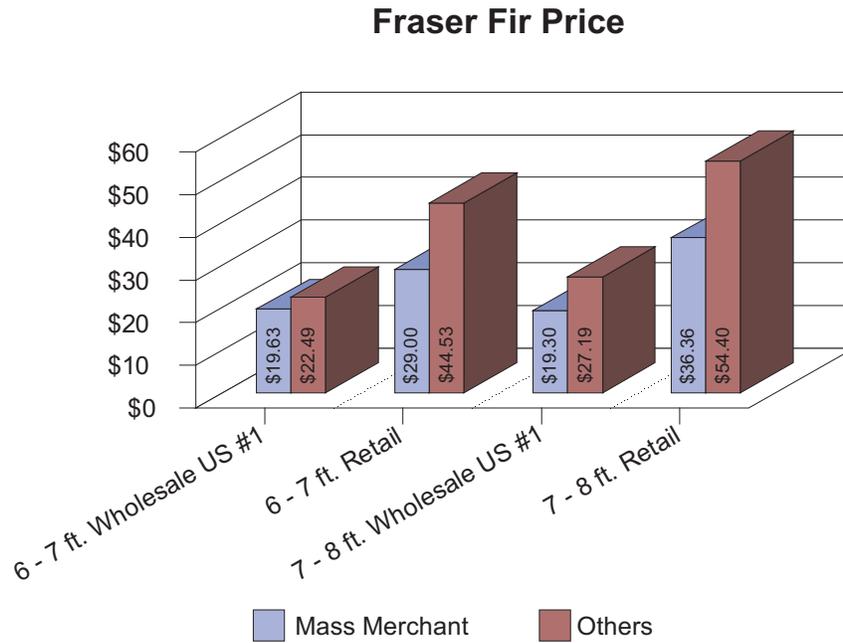


Average Retail Price 7' - 8'



Fraser Fir Prices

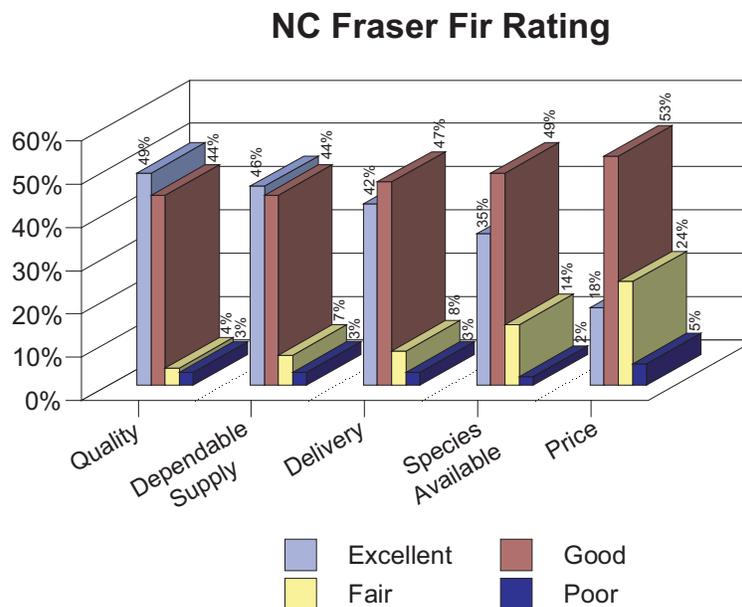
For Fraser firs, mass merchants tended to pay (and receive) lower prices per tree compared to garden centers and independent retailers. This trend held true for other species as well.



North Carolina Fraser Firs

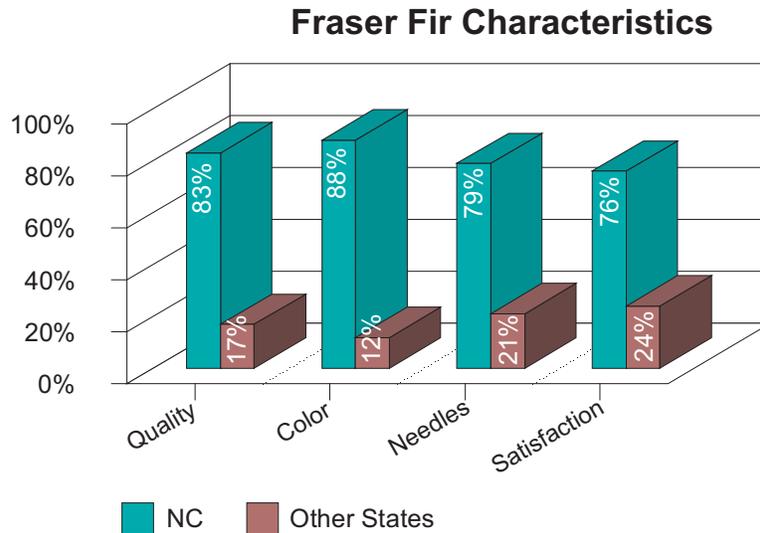
NC Fraser Fir Suppliers

Buyers rated North Carolina Fraser fir suppliers for a number of factors. Quality and dependability received excellent ratings by the greatest number of buyers, followed by delivery, with species availability and price receiving lower ratings.



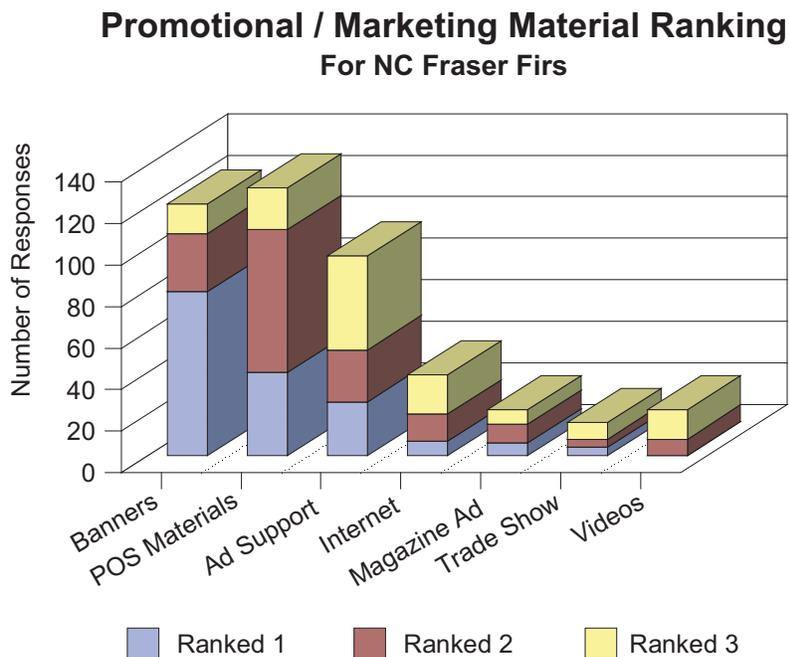
Fraser fir Characteristics

Buyers that have purchased Fraser fir Christmas trees from both North Carolina and other areas within the past five years rated North Carolina Fraser fir higher for all characteristics.



Promotional/Marketing Assistance

Buyers gave their top three preferences for marketing assistance (if available) that they would like to receive to aid in marketing North Carolina Fraser firs. Banners, point of sale (POS) materials, and advertising support were the top three choices among the majority buyers.



Summary

The Christmas tree buyers surveyed for this project represented a diverse group of retail businesses primarily from states east of the Mississippi. Mass merchants, independent garden centers, and seasonal retailers were included. This group also represented the major market for North Carolina Fraser fir Christmas trees.

A significant number of buyers that responded to the survey had limited experience in purchasing Christmas trees. In addition, a significant number of buyers appeared to purchase trees from one supplier for one to two years, then change to a new supplier. Producers need to maintain contact with their retail customers throughout the year to be aware of any changes in personnel responsible for buying trees. They must also communicate with these buyers to ensure that they are meeting their needs, and providing the best service to create a closer business relationship.

Buyer opinion of the Fraser fir species as a Christmas tree compared to other species seems to be very strong. They indicated that the Fraser fir is superior in overall appearance, color, needle retention, customer demand, and customer satisfaction. Although a smaller number of buyers purchased Noble fir trees, the ones that did ranked it the best for overall appearance and customer demand. The Douglas fir was a strong second choice for each of these characteristics. Buyers indicated that the Scotch pine, White pine, and Norway spruce were less desirable for these five characteristics compared to other species.

Retail buyers felt that shape was the most important factor to their customers when selecting a tree. This was followed by needle retention, species, and price. Since buyers ranked the Fraser fir as superior for many of the same factors, this species should be very competitive in meeting the needs of retail customers. This is consistent with the high rating buyers gave the Fraser fir for customer satisfaction.

Buyers ranked various factors that were important to their customers when selecting a Christmas tree. The origin of the tree was ranked as the least important factor to customers when selecting a tree. The low ranking for origin of tree (state where the tree was grown) suggests that customers have little interest or knowledge of where their Christmas trees are grown. Retail customers seem to have a strong preference for the Fraser fir but do not associate any importance to the source of the tree. Although North Carolina is an important source of the Fraser fir, other states grow this species also. These results indicate that an opportunity exists to educate consumers on the North Carolina Fraser fir to create a brand identity. North Carolina growers could gain a competitive advantage if they are able to convince consumers that the best Fraser firs are grown in North Carolina.

Quality was rated as the number one characteristic that a buyer looks for in a supplier of Christmas trees, with price, dependability of delivery, freshness, species and size availability also being important. These factors were also the most important reasons for selecting a new supplier. As noted above, a significant number of buyers switch suppliers frequently. Growers should focus on the factors considered most important to buyers to ensure they are meeting buyers' needs. Producers need to review all aspects of their business to be able to guarantee to provide quality, fresh trees that are delivered to the retailer at the time and date agreed. The grower's ability to meet these needs may determine if he keeps satisfied customers or has to constantly look for new buyers.

North Carolina Fraser fir producers were highly rated for many of the characteristics identified as important to buyers including quality, dependable supply, and ability to deliver trees on time and in good condition. However, sixteen percent of buyers ranked North Carolina producers fair or poor for species availability. Although this survey indicated a strong preference for Fraser fir, North Carolina growers need to consider partnering with growers of other tree species in order to provide buyers with a more diverse product selection.

The strong preference for the Fraser fir identified in this survey was reflected in higher wholesale and retail prices. Likewise, the Noble fir was considered a high quality tree and received higher prices than other species. Based on the relationship between quality and price, two distinct market segments emerged. One segment being for the higher-priced Fraser and Noble firs. The other segment represented the lower-priced market for species such as White pine and Scotch pine, which were ranked lower for overall appearance, needle retention, and other characteristics.

Buyers showed strong preferences for banners and point of sale materials if they were made available by growers or trade associations, with advertising support also being highly rated by a number of buyers. Even though activities such as Internet web pages, magazine ads, and trade shows, were not highly rated in this survey, they could still be effective ways to help buyers locate sources of North Carolina Fraser fir suppliers.

As previously mentioned, few consumers place importance on the origin of their Christmas trees. Promotions designed to establish "brand" awareness may create a higher demand among consumers for North Carolina Fraser firs. Buyer preference for the types of marketing assistance identified in this survey should influence future NC Fraser fir marketing promotions.