



# North Carolina Christmas Tree Association STAR Project – Kick off Meeting

The Miracle on Franklin Street

February 6, 2015

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Brandon Gilbert

Jessica Hawley

Ben Liebttag

Philip Spelman

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# The team – Kenan-Flagler



**Dustin Cripe** -- Project Leader  
MBA 2016, Consulting Concentration  
Hometown: St Paul, MN  
Work Experience:



**Jessica Hawley**  
MBA 2016, Marketing Concentration  
Hometown: Mooresville, NC  
Work Experience:



Transportation  
Security  
Administration



**Ben Liebttag**  
MBA 2016, Marketing Concentration  
Hometown: Chapel Hill, NC  
Work Experience:



**Brandon Gilbert**  
BSBA 2016, Corporate Finance Concentration  
Hometown: Winston-Salem, NC  
Internship Experience:



**Philip Spelman**  
BSBA 2015, Marketing Concentration  
Hometown: Nashville, TN  
Internship Experience:



**Dr. Lynne Gerber** -- Faculty Advisor  
Hometown: Chapel Hill, NC  
Former director of STAR, Faculty Advisor for 12  
action-learning projects over past 8 years



Jennifer Greene  
Executive Director

Bill Glenn  
NCDA & CS Marketing  
Specialist

NCCTA Members

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# Key Question: How can the NCCTA best create value and increase revenue for its members?

Situation

Grower membership in the NCCTA has dropped as current industry trends hurt real Christmas Tree sales nationwide

Complication

Mandatory grower participation in the USDA's "Check off" program will further hurt the NCCTA's membership numbers for two reasons

Less grower revenue

Lack of perceived NCCTA membership value because similar activities provided by USDA

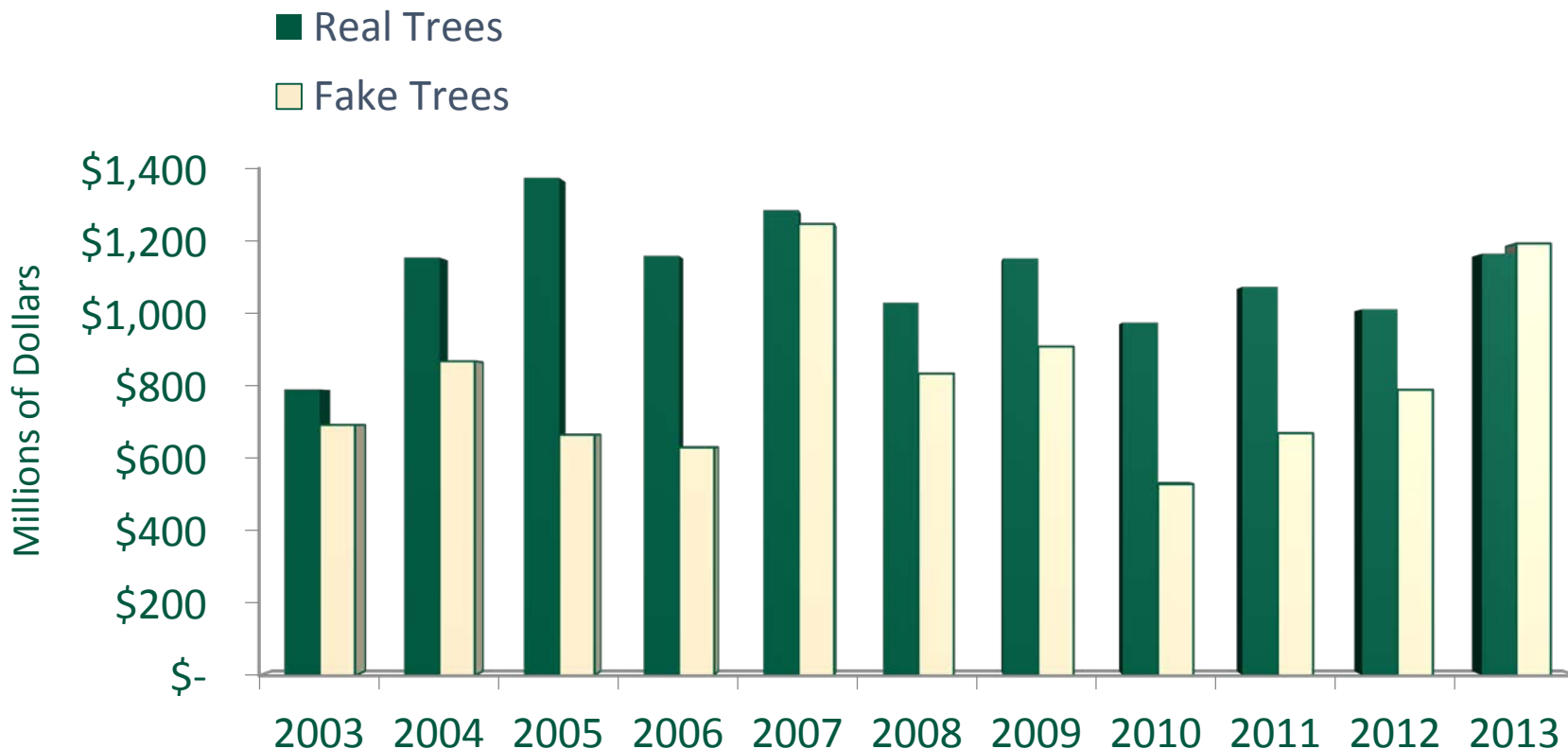
Resolution

Improving NCCTA services will provide incremental value to its members in excess of the "Check off" program and drive membership growth

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# Fake tree sales surpassed real tree sales for the first time in 2013

### Revenue by Tree Type



Source: Harris Report

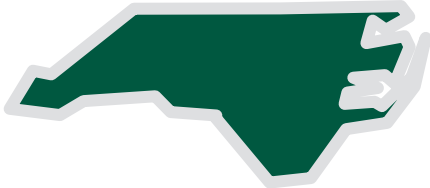




# State-level Christmas tree associations exist to promote and combine efforts

## State

## Mission Statement



“The mission of the North Carolina Christmas Tree Association is to serve as a unifying voice to promote real Christmas trees through marketing and education.”

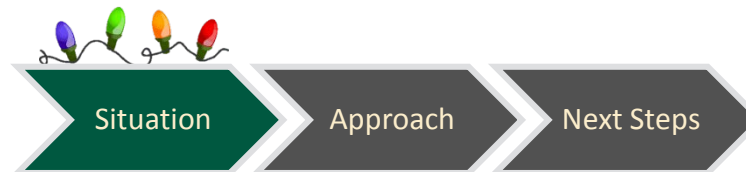


“...to give growers and wreath and brush producers the means to work together on the production and marketing of high quality Christmas trees and related products.”



“To promote and develop, among the growers of Christmas trees in Pennsylvania and adjoining territory, a community of interest to the end that, through better acquaintance with each other, the exchange of experience, and cooperative effort, practical solutions shall be found for many of the problems incident to the production and marketing of Christmas trees and kindred products.”

Source: NCDA&CS, NH/VTCTA, PCTGA

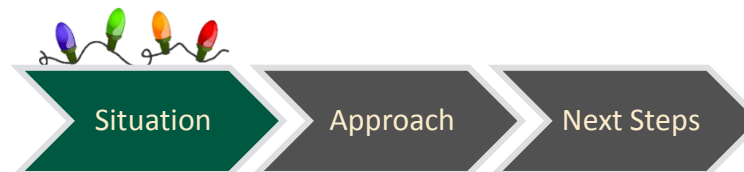


# NCCTA promotes Fraser Firs through a variety of benefits and services

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- **Special Benefits**
  - Pay anywhere
  - Insurance discounts across products
- **Membership Benefits**
  - National branding of NC Fraser Fir
  - Multiple listings – buy/sell guide, choose/cut directory, website including inventory, retail lots with Google map, and more
  - Legislative and educational information including expert opinions
  - Advertising across local, state, and national level
  - Conference/meeting representation and access
  - Networking between growers
  - NCCTA online member center and NCTA T.I.P. benefits

Source: NCCTA

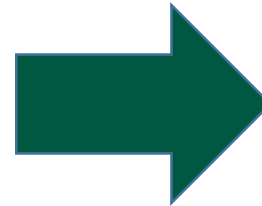


# Reasons for declining real trees sales and developing marketing insights

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## Reasons Consumers Buy Artificial Trees

- Belief that artificial trees are more sustainable
- Additional effort required for buying, maintenance, and disposal of real trees
- Long-term cost savings of artificial trees



Understanding preferences will help us better position the NCCTA

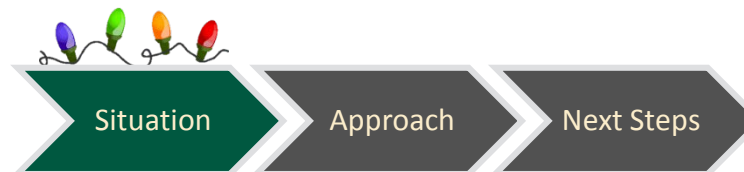
# The USDA “Check off” program will change the industry and create an opportunity for the NCCTA

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- Expansive program that has been pushed for by growers across the country
  - 15 cent assessment per tree
  - Revenue generated can only be used for Christmas tree promotion or research
  - Growers with fewer than 500 trees are not subject to the charge
- Check off program brings Christmas Tree industry in line with other major agriculture organizations



Source: USDA AMS

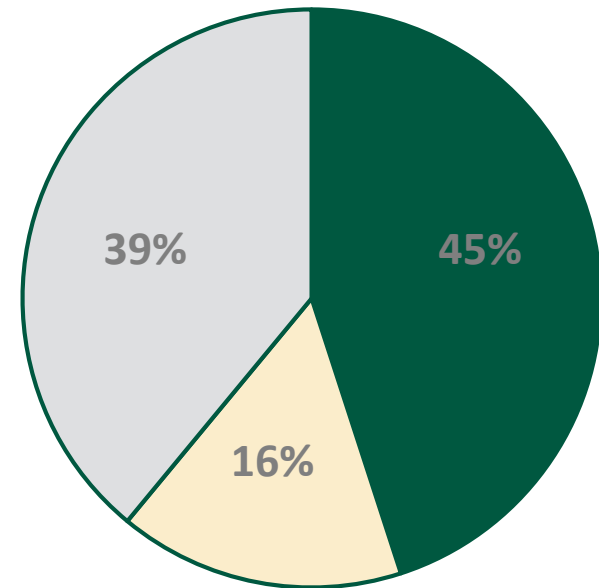


# Christmas tree associations can provide valuable insights and learnings - Oregon

- Oregon produces the largest number of trees in the U.S.
- Member of the Pacific Northwest Christmas Tree Association
- Oregon's Trees → 92% are either a Douglas or Noble Fir

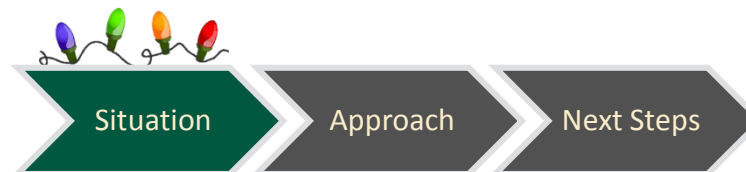
*Excellent export opportunity and potential market for NCCTA*

## Oregon Tree Exports



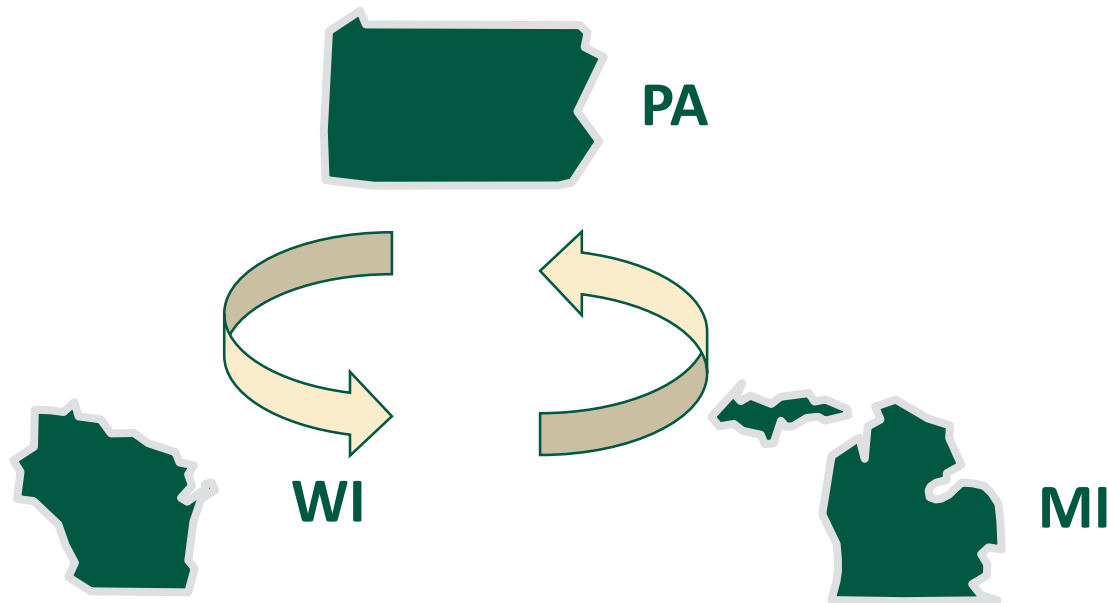
■ California ■ Mexico ■ Other

Source: PNCTA

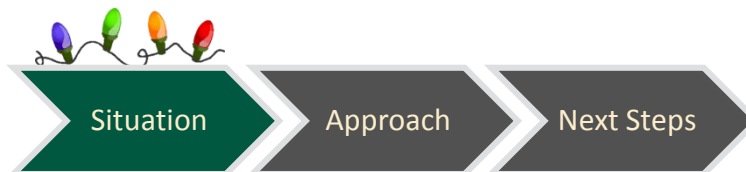


# Christmas tree associations can provide valuable insights and learnings – Other States

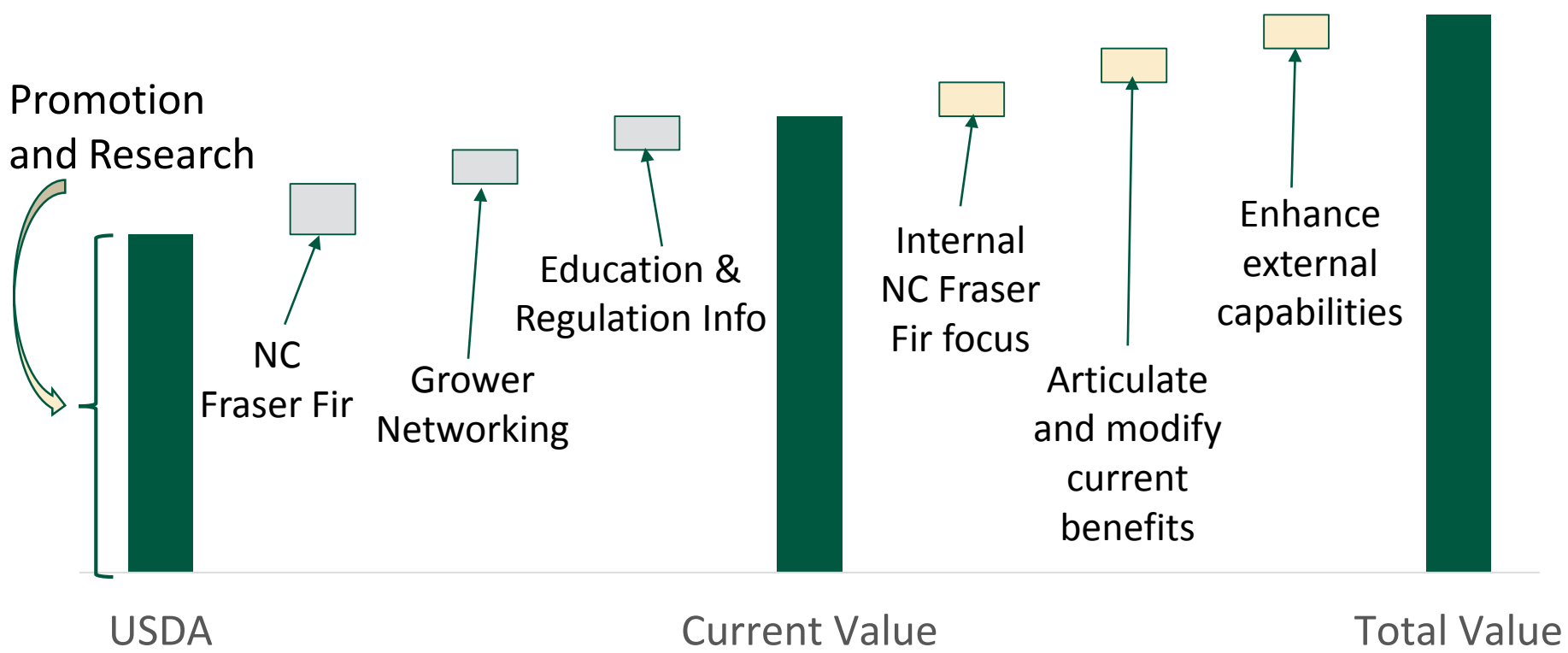
Other association sites prominently display the benefits of membership to their growers

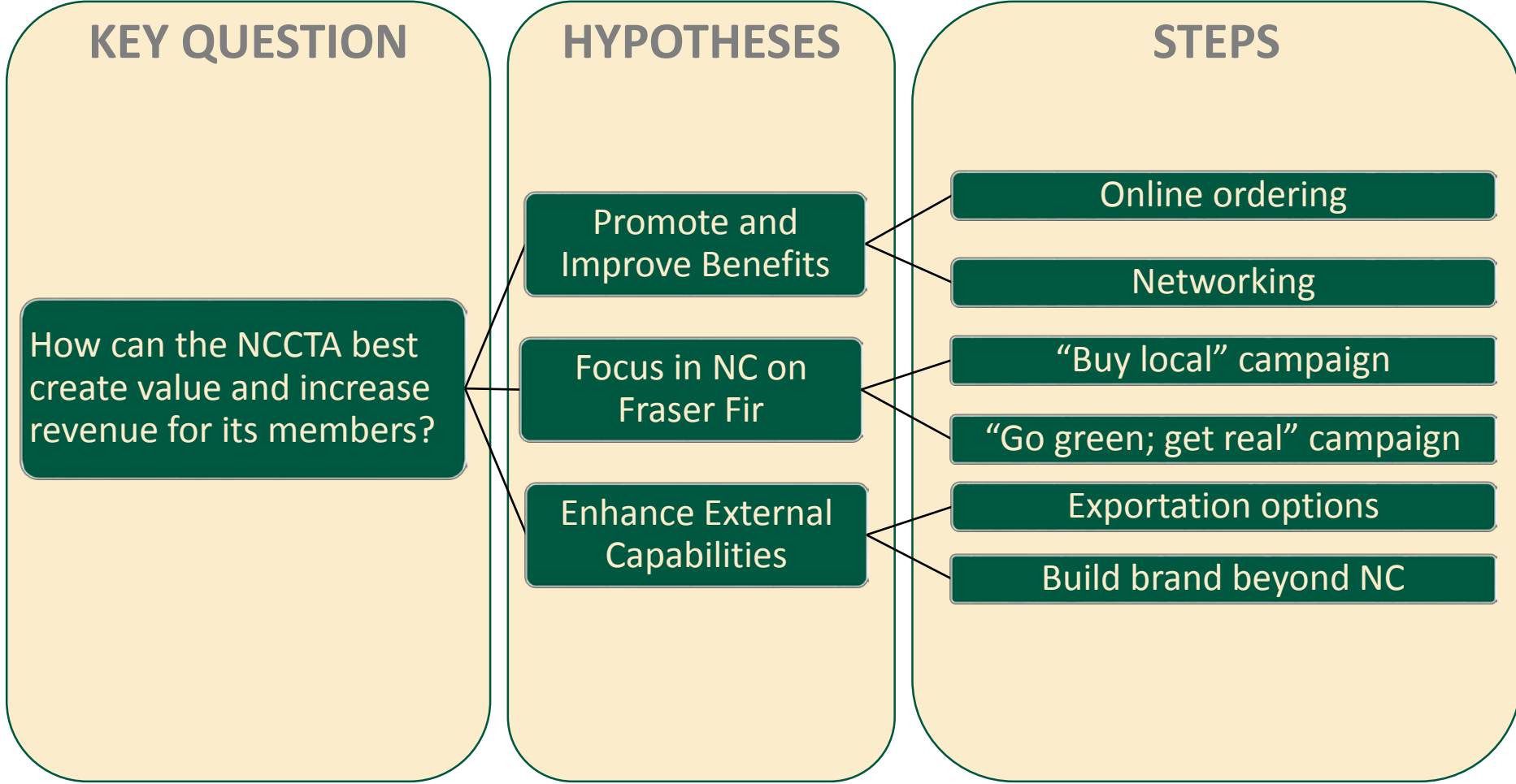


Source: WCTPA, MCTA, PCTGA



# NCCTA can demonstrate further value to growers



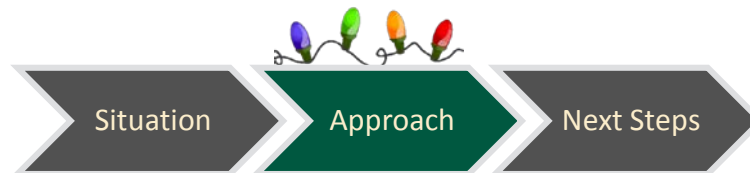
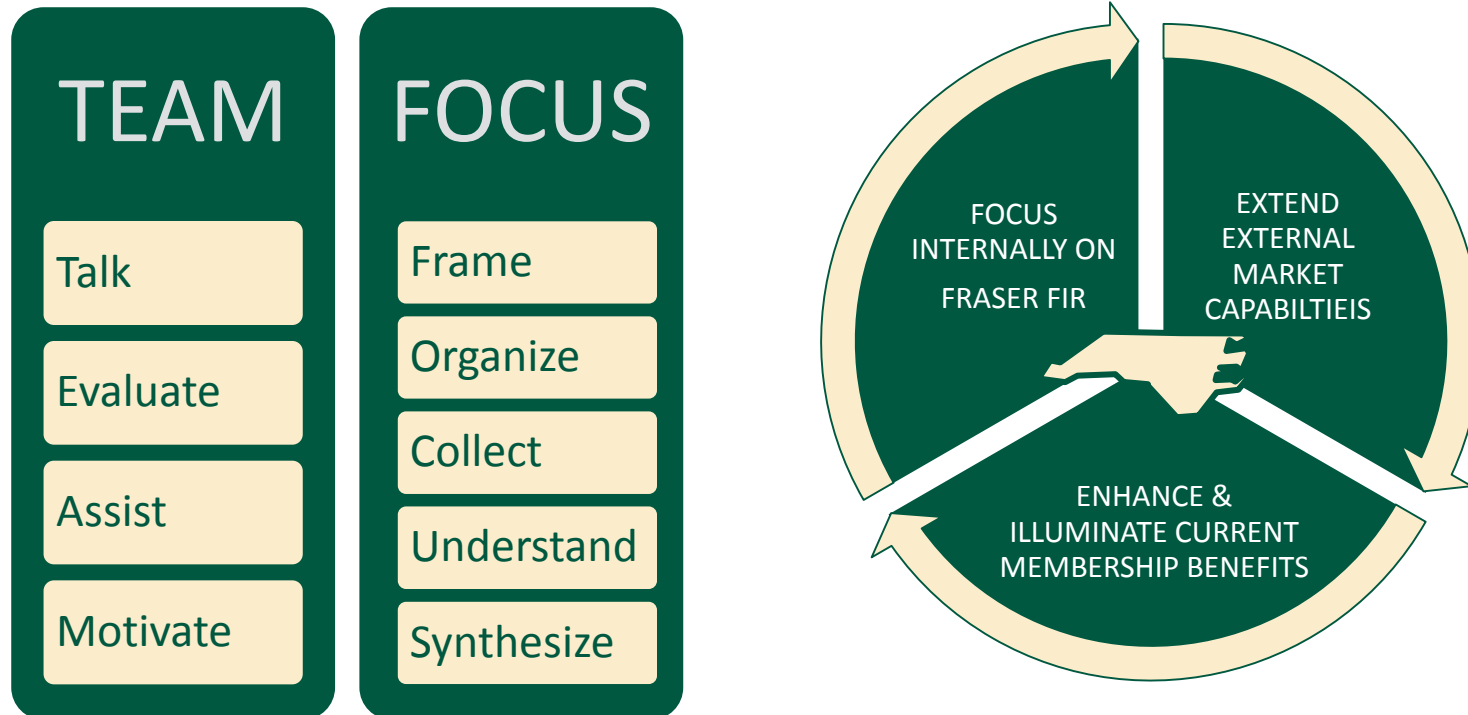




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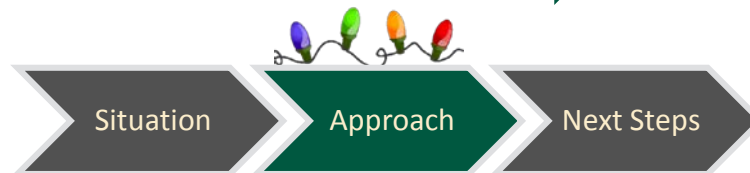
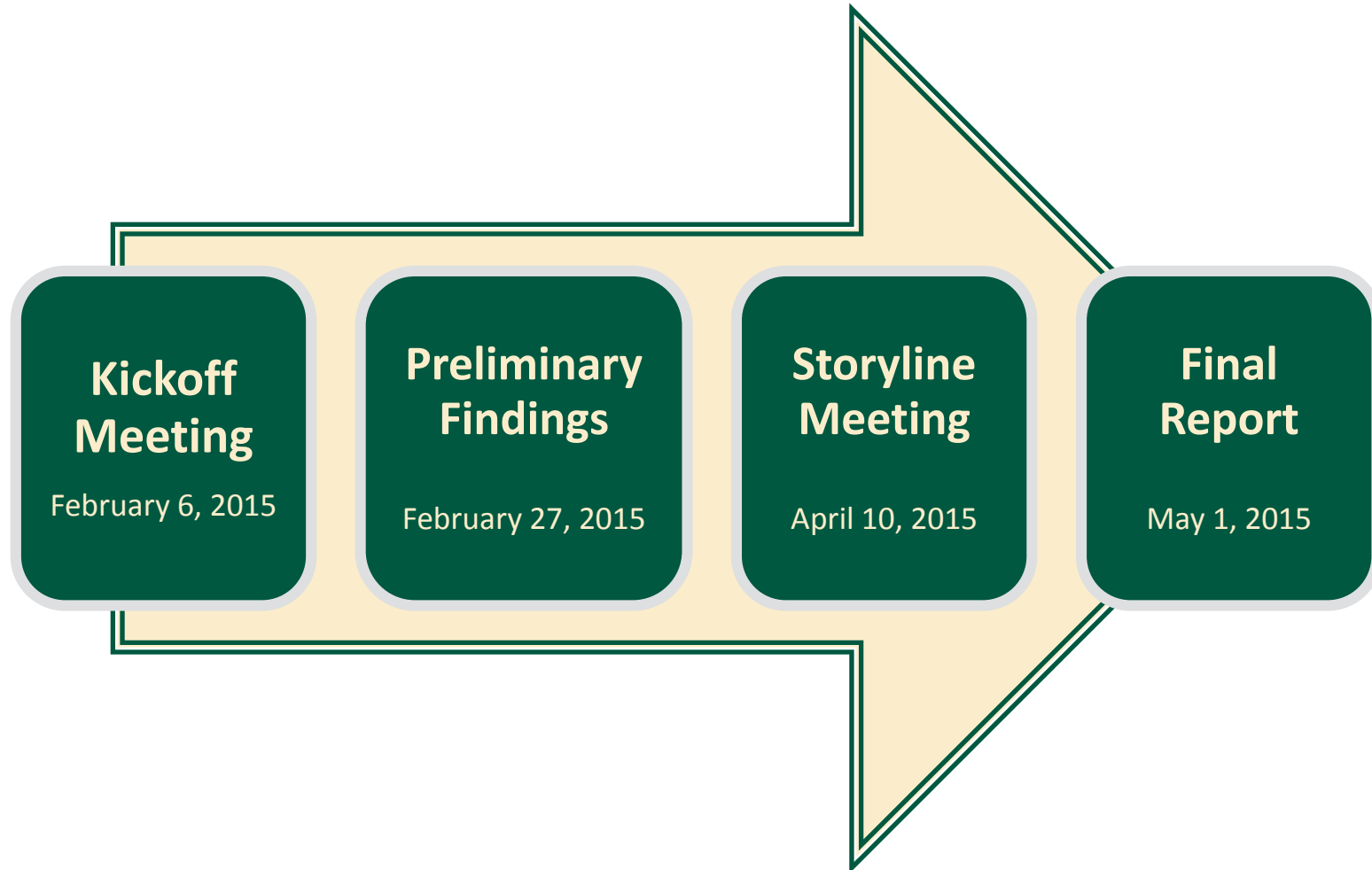
# Our dedication to the NCCTA

We will be using “T.E.A.M. F.O.C.U.S.” methodologies throughout this project



# 3 Month Project Milestones

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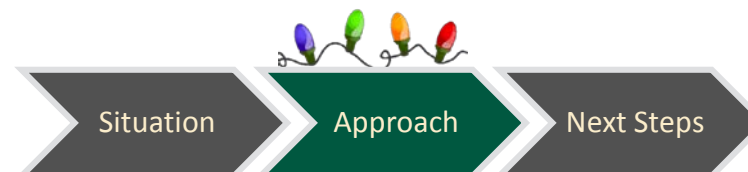


## IN SCOPE

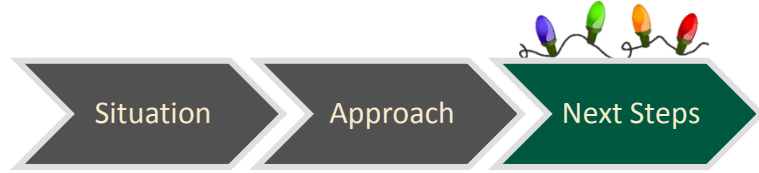
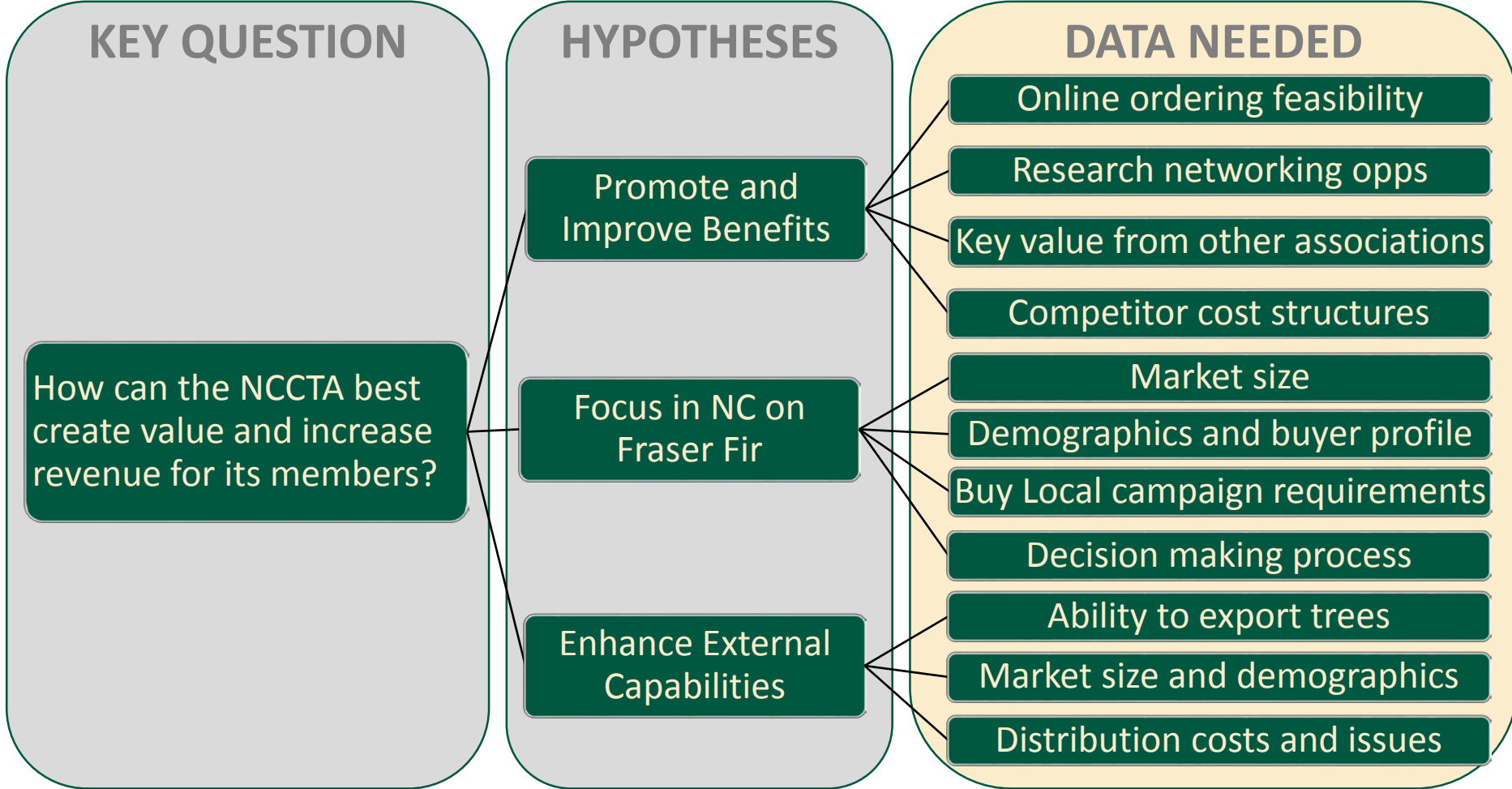
- Analysis of current and potential growers and end consumers
- Analysis of NCCTA membership needs
- Exploration of additional Christmas Tree markets
- Benchmark best practices of similar industry associations
- A 3-year promotional strategy for the NCCTA

## OUT OF SCOPE

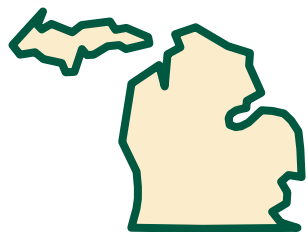
- Implementation of recommendations
- Operations, pricing, and strategy of growers
- Strategy to increase NCCTA membership



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# Enhancing: Articulating and improving NCCTA benefits will bring value to the growers

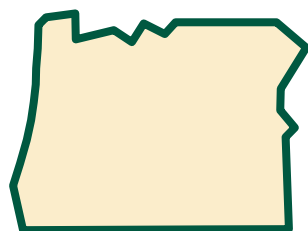
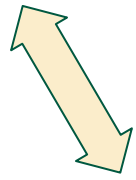
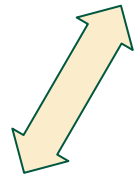
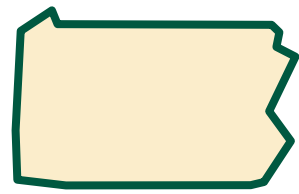


## Enhancing Capabilities

### Value of Membership

#### What is the Value of Membership in PCTGA?

- Members can place one free mini-ad per year in *The Bulletin*, our quarterly electronic newsletter.
  - Savings - \$37.50**
- The Association is working to keep our members in compliance with current legislation that affects the industry.
  - Savings - \$15.00**
- Each member that attends the educational sessions offered at the Annual Winter and Summer Meetings receives a discounted registration fee.
  - Savings - \$205.00**

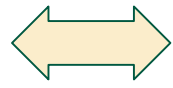


**PUBLICATIONS**  
*Association publications are highly regarded in the Christmas tree industry.*

**Christmas Tree Lookout**  
 The Lookout contains informative articles on all aspects of the Christmas tree industry as well as information on Association activities. The Lookout is considered the top publication of its kind in the Christmas tree industry.

**Buy-Sell Directory**  
 The Pacific Northwest Christmas Tree Association Buy-Sell Directory is published annually in April. It contains an extensive directory of sellers with trees available by species.

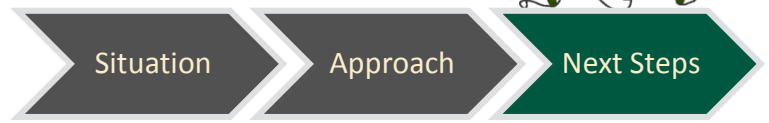
**Membership Directory**  
 Members receive an annual Membership Directory. The Directory is a ready resource containing helpful information such as fellow member contact information as well as types of trees or services that they provide.



Online ordering options

Networking opportunities

Source: OCTGA, MCTA, PCTGA



# Internal: Promotion of NC Fraser Firs will resonate with local residents





# External: Enhanced external capabilities will create revenue for the NCCTA

Exporting trees expands markets for tree sales

- Mexico is legitimate opportunity

Distribution network needs to be investigated

- Review available options

Need to assess and determine market potential



# THANK YOU. FEEDBACK?

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## Situation

Reasons to purchase real trees over fake trees

The percentage of households displaying real Christmas trees is relatively stable over time

Chain Stores have significantly grown to the largest market segment for Christmas trees

Negative industry trends are impacting profits

Intermediaries do not hold strong allegiance to their suppliers

The tree decision-making process provides multiple education opportunities for consumers – Real

The tree decision-making process provides multiple education opportunities for consumers -- Fake

Intermediaries rank the Fraser Fir very highly in desirable qualities relative to other trees

Intermediaries have three main criteria when choosing a supplier

Intermediaries rank NC Fraser Firs superior to Fraser Firs of other states

Why NCTA named Fraser Fir #1 Tree

There is little genuine competition between different species of Christmas trees

## Approach

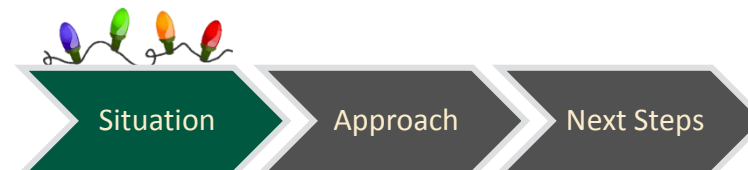
We will use TEAM FOCUS methodology

## Next Steps

Demographics/needs of real Christmas tree buyers will drive targeted marketing strategies

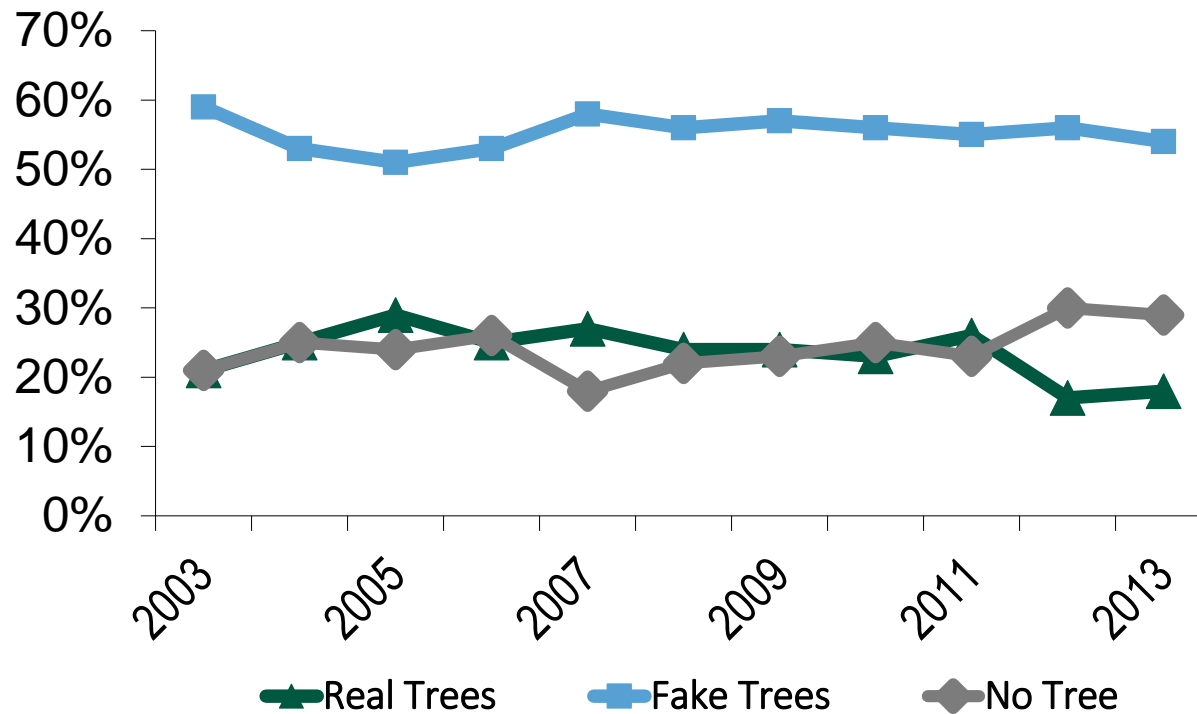
## Negative Externalities of Artificial Trees

- Made from PVC, a petroleum based plastic
- ~85% produced in China and shipped to the US
- Can be a source of hazardous lead
- Considerably more flammable than a well-cared for real tree

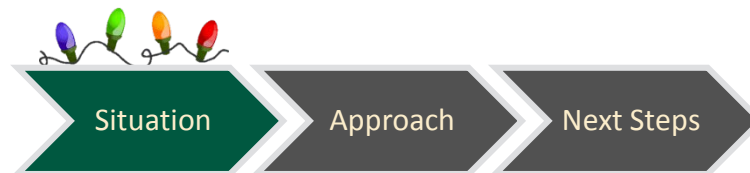


# The percentage of households displaying real Christmas trees is relatively stable over time

### Percentage of households displaying trees, by type

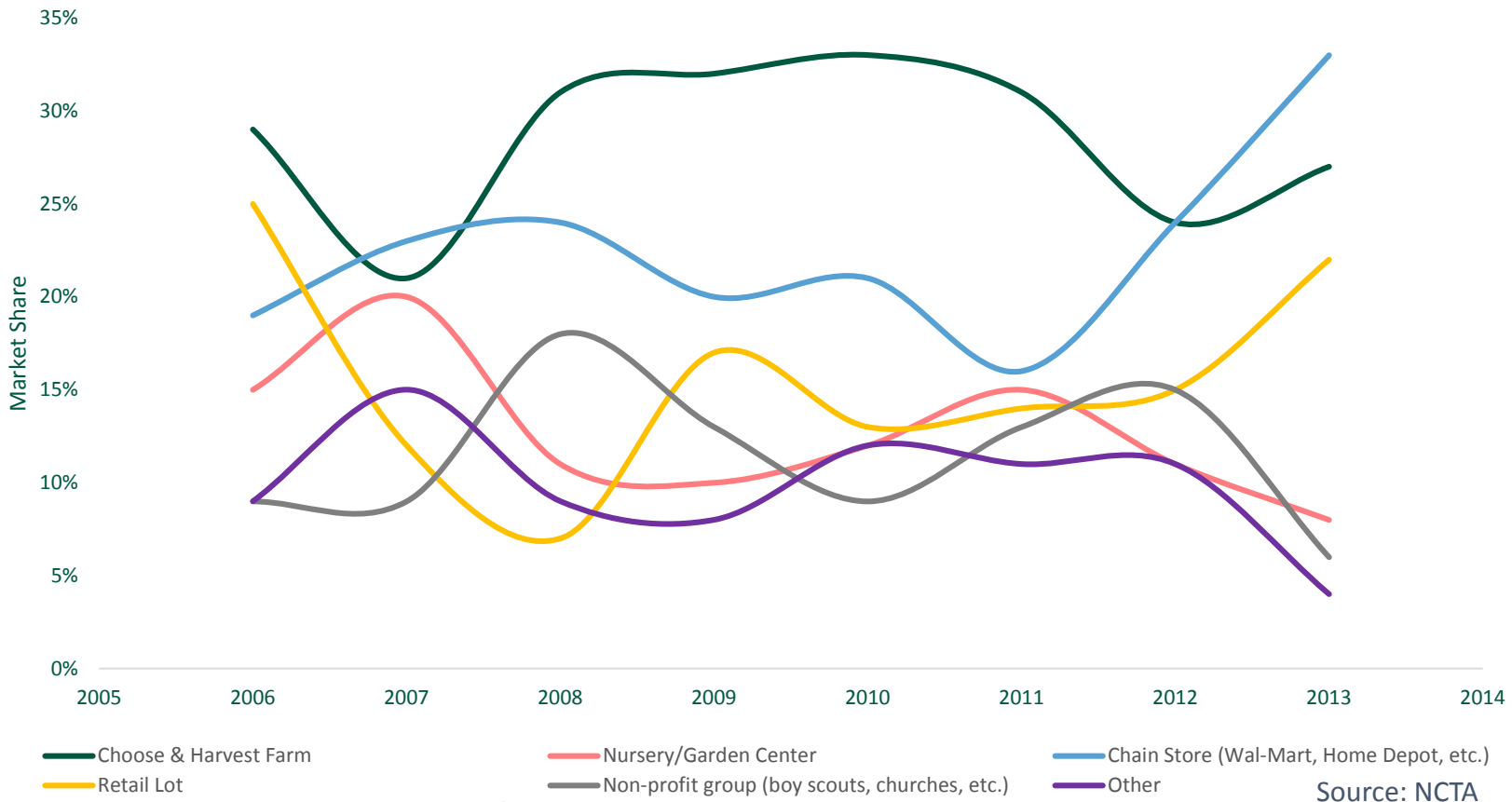


Source: Harris Report

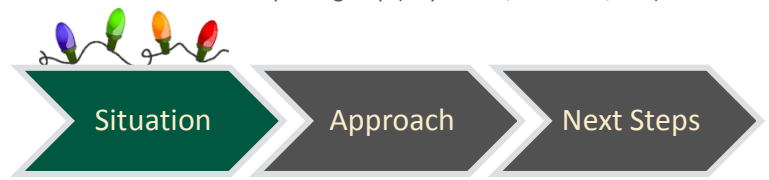


# Chain Stores have significantly grown to the largest market segment for Christmas trees

Market Segment Growth



Source: NCTA



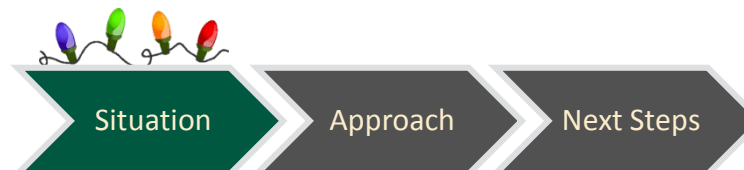


# Negative industry trends are impacting profits

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- Plants and flower industry is in the decline phase
  - Smaller farmers are being squeezed out and larger farmers continue to expand; imports are a growing concern for many segments
- Key factors driving declining profits
  - Transportation costs
  - Price competition among retailers
  - Economies of scale
  - Increased competition from fake trees
- Housing market recovery in the next 5 years could accelerate sales for real Christmas trees

Source: IBIS World



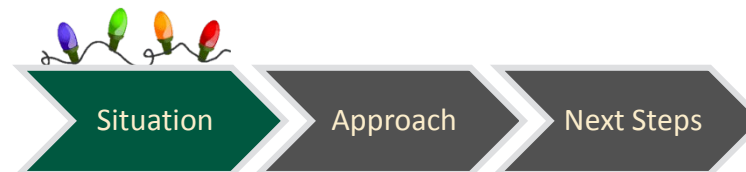


# Intermediaries do not hold strong allegiance to their suppliers

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55% of Mass Merchants  
64% of Other Retailers

Have been purchasing from their largest supplier for 5+ Years



Source: Harris Report



# The tree decision-making process provides multiple education opportunities for consumers – Real

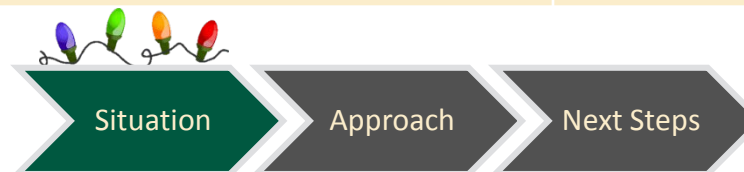
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## Qualities of a Desirable Real Tree

- Needle retention
- Color and fragrance
- Dense branches that can accommodate heavy ornaments

Pros of Real Trees	Cons of Real Trees
• Farms prevent encroaching development	• Allergies
• Farmers plant 3 new trees for every 1 cut down	• Potential for pests
• One acre produces oxygen for 18 people/day	• Higher long-term cost
• Farms stabilize soil, water supplies, and wildlife	• Misperceptions – buying
• Farms create scenic green belts	• Misperceptions – maintenance
• Recyclable	• Misperceptions – disposal
• Tradition	• Misperceptions – environment

Source: Christmas Tree Farm Network



# The tree decision-making process provides multiple education opportunities for consumers – Fake

Pros of Artificial Trees	Cons of Artificial Trees
<ul style="list-style-type: none"> <li>• Long-term cost savings</li> </ul>	<ul style="list-style-type: none"> <li>• Non-biodegradable</li> </ul>
<ul style="list-style-type: none"> <li>• Ease of buying process</li> </ul>	<ul style="list-style-type: none"> <li>• Emit toxic fumes in a fire</li> </ul>
<ul style="list-style-type: none"> <li>• Various colors, sizes, and levels of decoration</li> </ul>	<ul style="list-style-type: none"> <li>• Manufactured outside U.S.</li> </ul>
<ul style="list-style-type: none"> <li>• Ease of storage</li> </ul>	<ul style="list-style-type: none"> <li>• Higher initial cost</li> </ul>



+ quick info

**\$269.99**

7' Pre-Lit Lexington Spruce Artificial Christmas T...



+ quick info

**\$249.99**

8.5 FT Wintergreen Fir Lit Tree Collection



+ quick info

**\$249.99**

7' Pre-Lit Oakdale Pine Artificial Christmas Tree...



+ quick info

**\$249.99**

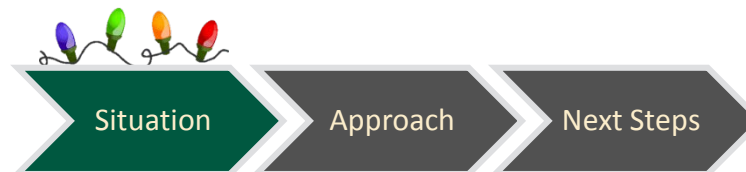
8.5' Pre-Lit Wintergreen Fir Artificial Christmas...



+ quick info

**\$229.99**

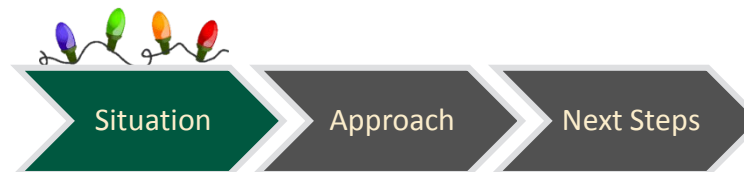
Royal Mixed Pre-lit Artificial Christmas Tree with...



# Intermediaries rank the Fraser Fir very highly in desirable qualities relative to other trees

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- #1 Overall Appearance
- Color
- Needle Retention
- Customer Demands
- Customer Satisfaction



Source: NCDACS Study



# Intermediaries have three main criteria when choosing a supplier

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# Intermediaries rank NC Fraser Firs superior to Fraser Firs of other states

## Quality

NC 83%  
NC 17%

## Needles

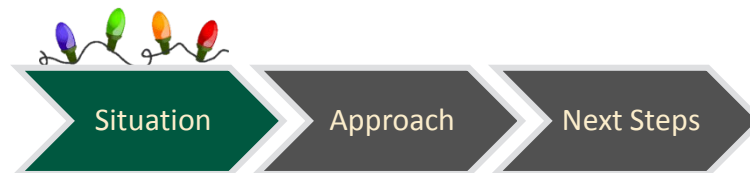
NC 79%  
NC 21%

## Color

NC 88%  
NC 12%

## Satisfaction

NC 76%  
NC 24%




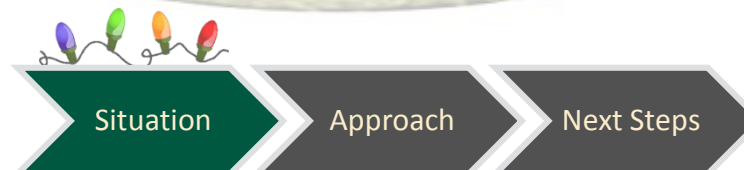
Source: NCDACS Study



# Why NCTA named Fraser Fir #1 Tree

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- 
- Straight trunks
  - Holds its Needles
  - Soft Needles
  - Stiff Branches
  - Easy to stand
  - “No Shed Christmas Tree”
  - Doesn’t prick
  - Can hold heavy ornaments
  - Guarantee to make it through the New Year
  - Retains an attractive full shape
    - Able to retain shape through shipping
  - Natural Dark Green Color



# There is little genuine competition between different species of Christmas trees

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Balsam Fir

(Growth restricted more by elevation)



Douglas Fir

(Popular in Western US)



Colorado Blue Spruce

(More unique, blue needles, CO)



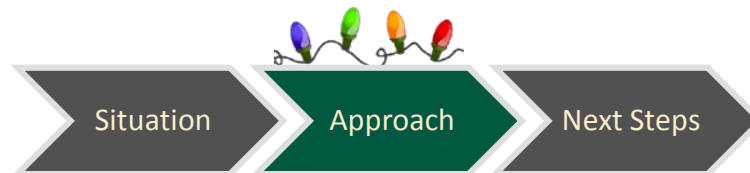
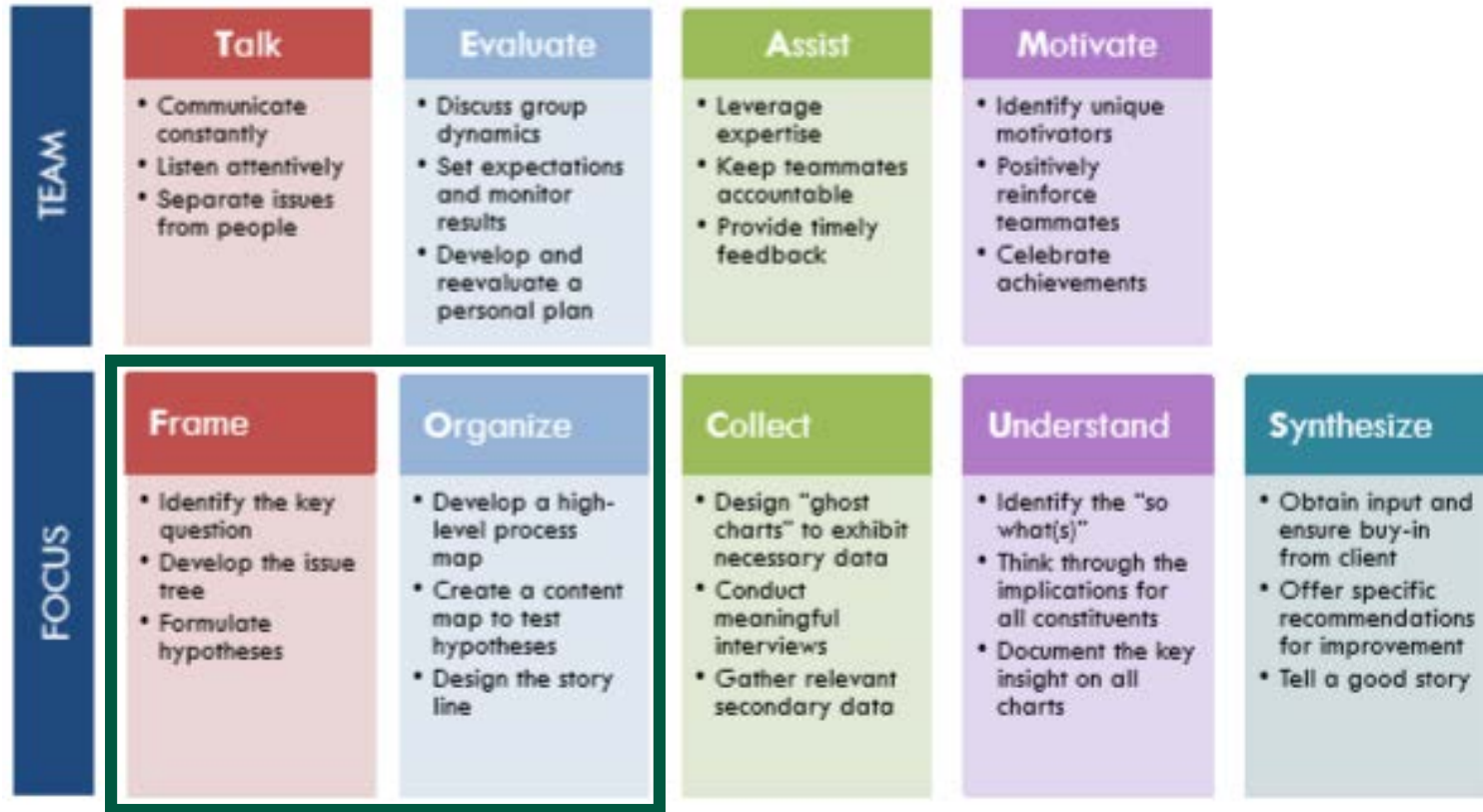
Situation

Approach

Next Steps



# We will use TEAM FOCUS methodology



# Demographics/needs of real Christmas tree buyers will drive targeted marketing strategies

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## Environment

- Recyclable, CO2 absorption, soil/water/wildlife

## Ease of Process

- Buying, set-up, maintenance, disposal

## Buy Local

- 85% of artificial trees are made outside the U.S.

## Tradition

- N.C. Christmas trees are the best

