Sharon Rose and Gene Gage stand in one of their greenhouses at Papa Geno’s Herb Farm in Roca, Nebraska. The company has utilized the Internet to turn a small mom-and-pop operation into a leading e-business of herb plants, scented geraniums, vegetable seedlings and herb-derived crafted goods.

Strategies that Work: Papa Geno’s Herb Farm
A North Central Initiative for Small Farm Profitability case study

By Julie Weeder
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About the North Central Initiative for Small Farm Profitability

The North Central Initiative for Small Farm Profitability is a four-state, multi-institutional, farm-to-fork effort designed to improve the profitability and competitiveness of small and mid-size farms in Nebraska and the Midwest. This initiative brings together a unique and powerful blend of farmers, food and social scientists, marketers, extension educators, economists and others who are attempting to identify, adapt and apply practical, science-based, market-driven strategies that work.

Partners include the University of Nebraska’s Center for Applied Rural Innovation (CARI) and Department of Food Science and Technology/Food Processing Center, Iowa State University, University of Missouri, University of Wisconsin, the Center for Rural Affairs in Nebraska, Practical Farmers of Iowa, and the Michael Fields Agricultural Institute in Wisconsin. The initiative is funded by a three-year grant from the U.S. Department of Agriculture.

For more information, contact Ken Wurdeman, Initiative Coordinator, University of Nebraska-Lincoln, 58 Filley Hall, Lincoln, NE, 68583-0947, telephone: 402.472.0807 or e-mail: kwurdeman2@unl.edu.

About the Case Studies

More than 40 case studies will be developed in the four-state region, including 26 in Nebraska. The case studies will focus on new generation cooperatives, networks for marketing high value crops and livestock, production and cooperative arrangements that increase the farmer’s share of food system profits, community support of small and mid-size operations, successful capital transfer strategies that benefit both beginning and senior farmers, on-farm diversification, and successful use of the Internet by farmers and small rural businesses to market products.

About the Author

Julie Weeder is a native of Nebraska, raised on a farm near Lindsay. She moved to Sioux City, Iowa in 1995 to attend college, but has never been far from her agricultural roots. She graduated from Briar Cliff University in May 1999 with a degree in mass communications, writing and linguistics. She currently lives in South Sioux City, Neb. and works full-time as a reporter for the Sioux City Journal covering the agriculture, technology, and medical beats. Read her work online at www.siouxcityjournal.com. Julie can be reached by telephone: 402.494.9069 or e-mail: weederjc@pionet.net.
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Introduction

Businesses, large and small alike, are continually searching for new avenues to explore and expand their product. With the introduction of the World Wide Web, businesses have jumped at the unique and relatively inexpensive way to market and sell their product to customers almost anywhere in the world.

In the case of Papa Geno’s Herb Farm of rural Roca, Neb., the Internet helped turn a small mom-and-pop business into a leading e-business of herb plants, scented geraniums, vegetable seedlings and herb-derived crafted goods.

For some, the Internet also brought the allure of endless revenues and massive profits. For those who treated it as a “get-rich-quick” opportunity, it often backfired. Garden.com was one of those.

The Planting of a Seed

Gene and Sharon founded Papa Geno’s Herb Farm in 1993. Gene had dallied in entrepreneurship before. Sharon came aboard as his partner in 1986 when they formed their corporation, Heartland Associates, Inc. The two sold Nebraska-made products under the name of “Nebraska Hearts, Nebraska Hands” and with the trademark of “From Nebraska With Love.” Although the idea was unique, Gene said they didn’t make any money in retail.

“We kept working with direct mail promotions to make up the money we had lost trying to run a retail store,” he said. Gene also did consulting work on the side. Sharon worked full-time doing accounting in the real estate sector.

In 1993, with the corporation Heartland Associates, Inc. still intact, Gene and Sharon started another phase of their business, Papa Geno’s Herb Farm. “We were going to be a mom-and-pop sort of business offering herbs and related products,” Gene said.

Gene’s agricultural background came from his youth in Palisade, Neb. where his parents and grandparents were truck farmers and ranchers. Gene didn’t stay with the family business, but his agricultural interests were revived while living in New York City in the 1970s. There he began growing herbs on the roof of his townhouse as a hobby.1

So it was no surprise when Gene turned his hobby into a business in 1993. The initial investment of Gene and Sharon was in the low tens of thousands in dollars – their own money and a small operations loan. It was just Gene and a part-time helper at first. Sharon worked part time with the business doing the books and accounting until she came on full time in 1995.

Papa Geno’s Herb Farm started with herb plants and soon added scented geraniums. In short time, the inventory grew to more than 300 varieties of herb plants and 125 varieties of scented geraniums. Papa Geno’s developed the largest collection of herb plants and scented geraniums in the United States, and then added gourmet and heirloom veggie seedlings to the product line.1

Almost all of the plants are grown at the Papa Geno’s farm in Roca. Plants are grown year round. The farm, located on five acres of Gene’s home, has five greenhouses (25,000 square feet “under glass”), a packing/distribution barn and an office area. Occasionally, Papa Geno’s has to buy something from another company, usually Bluebird Nursery in Clarkson, Neb., Gene said.

Papa Geno’s partnered with dot-com giant Garden.com in 1997 to be one of Garden.com’s primary shippers. Business for Papa Geno’s multiplied 1,000 percent during the partnership. Then, in November 2000, in the middle of the Christmas shipping season, Garden.com folded and Papa Geno’s was left holding the bag.

The partners who founded Papa Geno’s, Gene Gage and Sharon Rose, went back to the basics of making a business successful before the Internet. Gene got on the phone and called old customers; Sharon skimmed the budget where ever she could.

Despite Papa Geno’s bad experience with e-commerce, Gene and Sharon realized that the Internet is still the best way to enhance and complement their business. In fact, the business is going stronger than ever via e-commerce produced from its Web site, Papagenos.com, direct e-mail orders and drop-shipping for major catalogs and magazines.

Sharon Rose and Gene Gage, co-founders of Papa Geno’s Herb Farm.

Photo by Julie Weeder

Sharon Rose and Gene Gage, co-founders of Papa Geno’s Herb Farm.

Papa Geno’s Products

- herb plants
- scented geraniums
- vegetable plant seedlings
- perennials
- selected annuals
- herb-derived products such as culinary blends, teas, herbal wreaths and similar products
At the beginning, Papa Geno’s advertised mostly in local newspapers and retailed to local buyers. Gene also put together direct mail pieces to customers. The customer base was expanded using catalogs and gardening magazines. Papa Geno’s first big break came when they agreed to start drop shipping for Shepherd’s Garden Seeds, a large mail-order seed and plant supplier. Gene met the founder, Renee Shepherd at a convention and later did a standard pitch to her.

Gene worked on perfecting the shipping end of the business to provide the most efficient process. All Papa Geno’s orders are processed electronically, whether submitted via the Web site, by e-mail, fax or phone. The computer produces a packing slip with codes and locations of every item for sale. Papa Geno’s efficient coding system will take an employee to within 2 feet of the location of the product. Gene said this is a process that hadn’t been applied in the plant business before. He got the idea to electronically code everything from a previous job in the wholesale business.

During peak shipping season, one person takes the orders and produces the packing slips. Another person or group picks the plants from the greenhouses, cleans and prepares the plants for shipping. The packing crew packages the plants.

Papa Geno’s ships primarily with Federal Express and United Parcel Service (UPS). Shipping costs with the companies are negotiated yearly based on volume and charged per item shipped. An annual contract saves money over the published rates. Gene said they tried priority mail, but in their experience, priority mail couldn’t deliver as promised. “You can’t do that with live plants,” Gene said. The proportion of delayed shipments and dead-on-arrival plants was about 10 times higher for priority mail than for FedEx and UPS.

The cost of shipping and shipping cartons has nearly doubled in the past two years. Gene assures his customers that he does not treat shipping and handling as “profit center.” In a 2001 publication to his customers, Gene wrote: “We show you the shipping and handling (charges) so you’ll know better where your money is going. We write more checks to UPS and FedEx than to any other vendor, and our packing carton manufacturer is second! We too wish shipping and boxes didn’t cost as much!”

Most orders arrive to the customer within three days of being shipped. Papa Geno’s ships live plants only on Mondays, Tuesdays and Wednesdays to ensure that the plants do not spend a weekend in a warehouse or post office.

**Drop Shipping**

Drop shipping is used by middlemen and mail order firms who do not stock inventory of the products they sell through mail order, catalog, or via the Web. Middlemen, who in this case would be Garden.com, Shepherd’s Garden Seeds, etc., send single unit orders for products to manufacturers or distributors, such as Papa Geno’s, who in turn drop ship the merchandise direct to the customers of the middlemen they service.

The advantage for the manufacturer is they gain additional sales while shift advertising costs to the middlemen. They are able to minimize the costs of developing promotional materials, purchasing advertising, and establishing a brand name. The risks of being a drop-shipper are made clear; however, by Papa Geno’s experience with Garden.com. Papa Geno’s survived and prospered because they had an established brand and were able to diversify their drop shipping client base.

The advantage for the middlemen is they shift the risks of stocking inventory to the supplier (manufacturer) including storage, insurance, overhead, and personnel. They don’t spend anything on inventory until after the product is sold and in many cases not even then because they simply take a percentage of the sale as their revenue. This setup allows them to focus on selling products. A small company can offer a large variety of products without significant capital for carrying inventory.
Plants are shipped only in the continental United States – shipping to Alaska takes too long and shipping of live plants is not allowed to Hawaii because of agricultural directives.

Shipping for spring plants starts March 1 and runs until June 15. Papa Geno’s ships plants at about the time it is safe to plant them outdoors in the customer’s area, according to horticultural zone information from the U. S. Department of Agriculture. The first plants shipped go to southern California and Florida and proceeds north until places like Minnesota and Michigan can receive plants in mid-May.

The fall shipping season runs from Sept. 10 to Dec. 15, but the main season with the biggest selection is in the spring.

Papa Geno’s continued to grow those first three years. Then, in 1996, the Internet changed everything.

**Papa Geno’s Notables**

- Papa Geno’s has the largest collection of scented geraniums available on the Web.
- Papa Geno’s was among the first businesses to use the Internet to market live plants and probably the first to use direct e-mail.
- 1,700 different perennials
- 300+ herbs
- 125+ scented geraniums

**Top Ten Best Sellers at PapaGenos.com**

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<thead>
<tr>
<th>Basil</th>
<th>Bay Laurel</th>
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<tbody>
<tr>
<td>Lemongrass</td>
<td>Greek Oregano</td>
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<tr>
<td>Lemon Thyme</td>
<td>French Tarragon</td>
</tr>
<tr>
<td>Chocolate Mint</td>
<td>English Lavender</td>
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<tr>
<td>Rosemary</td>
<td>French Lavender</td>
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**Papagenos.com – Ahead of its Time**

Papagenos.com became the first Internet site to sell herbs via the Web.

“We didn’t jump on a bandwagon,” Gene said. “We were the first.”

Gene was no stranger to the Internet when he decided to launch Papagenos.com. He had been working as an herb guru for an AOL discussion group/mailing list. While leading the discussions and posting comments, Gene was also able to network for potential customers. He sold some herbs by direct e-mail, raising his awareness that sales could happen over the Internet.

Gene had also used the Internet to order supplies for his business. In 1996, Papagenos.com went live. The original site was developed by Polly Tandon, a woman Gene met at an herb fair in Lincoln, Neb. Polly was a graduate student at UNL and served as Webmaster until 1999. Rob Bengtson of Cepter.com, a consulting, web design and site hosting firm in Lincoln, maintains and hosts the Web site now. Sharon and Gene agreed that it is important to have a Webmaster locally. “They need to be local so they can come to you, be on site if needed,” Sharon said. “It can’t be a phone call all the time. You need to be able to sit down face-to-face with them and look at the Web site.” Sharon and Gene also agreed that it is too expensive for them to stay with a large Web design company.

As for the design of the original site, Gene and Sharon wanted a Web site that was easy to use for the consumer and had pleasing aesthetics. “You have to remember, e-tailing is still retailing and that requires good customer service,” Gene said. “If they can’t find what they want on the Web site, they can stroll down the virtual highway to another e-store.”

Gene and Sharon looked at what Papa Geno’s was good at and wanted to reflect that on the Web site. The Web site projects a “clean” image. A menu bar on the left easily directs a customer to specific areas: herb plants, perennials, gifts for the gardener, Papa’s Potting Shed, scented geraniums, plant descriptions, veggie plants, free plants, healing herbs, cultural information and a recipe box. There are also links to view current order, check out counter, shipping information, about Papa Geno’s and the privacy policy. All these links are easily viewable from the home page and without having to scroll down.

Pertinent information such as phone and fax numbers, address and e-mail address are right at the top. Warm and friendly attitudes are reflected in a welcome message and quick overview of what can be found on the site. The site is kept up-to-date, usually when ever Gene feels something (such as pricing, pictures, product lists) needs to be updated. Sometimes that’s daily – sometimes that’s monthly.

Follow the “Papa’s Potting Shed” link to Gene’s own expert gardening advice, including basic potting information, how to identify pests or disease of your plants, winterizing tender perennial herbs and plant hardiness zones. Gene also...
provides information about starting your own herb garden, and the debate of starting with from seeds or starting with plants.

And of course, a picture says a thousand words. The Web site is full of colorful photographs of herbs, potted herbs, geraniums, and gift ideas.

The best thing about the Web site was that it produced business immediately. “We had orders literally within minutes” of launching the Web site, Gene said.

Timing also had a lot to do with the success of Papagenos.com. In 1996, any search engine searching for “herbs” would bring up Papa Geno’s in the top five, Gene said. Now there are 30,000 herb Web sites. “To get up on the Internet is much more difficult now,” Gene said. “We had the advantage of being one of the first ones.”

In late 1996 and early 1997, business really began to pick up. But Gene knew that in order to really get business to flow, Papagenos.com had to spend some “real money” in marketing, “and we didn’t have it,” Gene said.

**Partnership with a Giant**

Papa Geno’s real money in marketing came from Internet giant Garden.com, the first major Internet company to address Americans’ most popular hobby, gardening.

Papa Geno’s had been online for a few months when, in 1997, Garden.com contacted them to be a partner in shipping for them. The fact that Papa Geno’s already had a successful Web site up and running was a main reason Garden.com contacted them. Papa Geno’s also had the capability to ship large quantities.

The plan worked. Volume at Papa Geno’s increased 300 percent during the first year, 1000 percent in three years. Projections were for another 1000 percent increase by 2003. Papa Geno’s went from 30 employees to 15 full-time employees in two short years. Seasonal part-time helpers were always part of the mix, too.

Ultimately, Garden.com became the victim of the fall-out of tech stocks. The site shut down in November 2000, in the middle of the Christmas shipping season. Papa Geno’s business was cut by 80 percent. Orders for spring 2001 were $1 million; now they fell to $150,000. Employees were laid off; Sharon and Gene themselves worked without paychecks for months, once again building the business they had started.

基因和Sharon have their own opinions about why a seemingly promising company like Garden.com could fall through in less than four years. Gene said he believes that the fact that the three founders had no previous experience in the gardening industry was a key factor.

“Garden.com was a business with no operational and financial history, and once the bloom was off the Internet rose, there wasn’t much substance to bank on at the company,” Gene said.

Gene is also quick to point out that there are hundreds of Web sites that are still making lots of money.

“This is not going to happen again,” he said. “One problem was that at least some of the founders and original investors thought it was a way to get rich quick. They believed there was a new economy. There is no such thing.”

“It takes a long time to build and monitor the finances,” Sharon added. “A long time to build a business and make it successful.”

The closing of Garden.com forced Gene to put his marketing hat back on, as has done many times before in his business ventures. Gen picked up the phone and started calling customers they had maintained through their catalog and magazine sales. And the business had kept a good credit rating with their bank, enabling them to stretch out loan payments. But the real difference, Gene said, was that throughout the partnership with Garden.com, they maintained their own Web site and kept it up and running. In fact, Papagenos.com saw a 450 percent increase in traffic on their site immediately after Garden.com folded.

Papa Geno’s is just now recouping what they lost when Garden.com bit the dust. Papa Geno’s was able to recapture business equal
More Than Just Plants

Marketing the end use of herb plants has also proved profitable for Papa Geno’s. Herb-derived crafts, such as lavender wreaths, soaps and herb blends for baking, are popular products found at Papagenos.com. Shoppers will also find an herb grinder to make their own special seasoning blends, and an herb dryer to capture the aromas of the healing plants.

A particular interesting story is how Papa Geno’s acquired its line of lavender products, which come all the way from Provence, France. Gene tells the story on the Web site: “On the first day that Papa Geno’s Herb Garden was open for business, Beth Vosoba was my first customer, with a budding interest in herbs. She now has an extensive herb garden and has combined her love of herbs with her passion for France.

Beth started out bringing lavender soap back for me a few years ago and has continued to return with the new items that we are proud to feature here… The (lavender farm) is remote and mountainous, where fields of lavender and wheat are dotted with grazing sheep… The bouquets we offer are cut by hand with a sickle, and dried in a 500-year-old barn. The dried lavender has won numerous awards in France for its unusual indigo color.”

Papa Geno’s – Now and in the Future

Papa Geno’s Herb Farm continues to build its business, both by maintaining what sets them apart from other herb, perennial, and scented geranium sellers and constantly looking to the future to improve their product, their service, their efficiency and their Web site. The business continues to market through gardening catalogs and magazines, and drop shipping for major companies. Papa Geno’s currently ships for at least five major magazines and catalogs, and may increase that number to 10 by December 2001. Papa Geno’s more accurately defines itself as a “plant distribution center.”

Papa Geno’s has also realized the importance of diversifying. Their herb-crafted goods sell as beautiful gifts. Bright color photographs at Papagenos.com show the most exquisite of lavender wreaths and swags, soaps, potpourri and dried flower bouquets. Other gifts include potted herb plants, pottery and kitchen gifts such as herb spices.

Papagenos.com, like any successful e-business, is always a work in progress. The site is kept up-to-date by its Web master, Rob Bengston of Cepter.com. The colorful photographs are updated regularly along with a friendly message from Papa Geno himself.

Papa Geno’s is currently working with Better Homes & Garden Interactive (BHG.com), the online store of the popular home magazine. Several of Papa Geno’s gifts as well as many herbs and perennials are sold through that Web site.

Despite the disappointing experience with Garden.com, Gene said he hasn’t ruled out working with another Internet giant. After all, Papagenos.com is becoming a giant itself. “I think there will be another substantial gardening Web site,” Gene said. “I would certainly like to be part of that and I think we will be.”

The biggest evidence of Papa Geno’s ability to keep growing is the addition of another division, Prairie Perennials. Papa Geno’s started with a collection of about 200 varieties of perennials. Gene said he didn’t want to make a commitment to selling perennials until he saw how well they did. They did well – more than 200,000 perennials already ordered for next year. The collection has expanded to about 500 varieties of perennials.

The official launch of Prairie Perennials was Sept. 1, 2001, although orders were received long before that. Gene and Sharon are marketing the perennials in a series of gardening magazines published in Des Moines, catalogs and their own Web site.
Prairie Perennials does not yet have its own Web site. “We’re still debating the pros and cons of two different sites,” Gene said. A URL is registered for Prairie Perennials, but Gene said that project will probably be on hold until Jan. 1, 2002. The perennials are currently available at Papagenos.com.

The perseverance of Papa Geno’s to keep moving ahead is laid out in a 100-page full-scale strategic plan that Gene and UNL graduate student Pamela Edwards put together. The plan includes projections and goals for revenue, marketing plans and goals and timelines. “This is no fly-by-night operation,” Gene said. “We plan to be around for a few more years.”

One goal in the strategic plan is to move the entire operation to another site at Martell, Neb., about eight miles away, within the next two years. That site has four greenhouses and a larger barn on about 30 acres, leaving room to grow. Papa Geno’s was in the process of filling the greenhouses at that site when Garden.com went down. Now those greenhouses are being filled with perennials and more herbs.

Meanwhile, Papa Geno’s handles all of the on-going concerns of any business. Maintaining staff is a challenge because it is difficult to find employees with the right horticulture background. Gene said he spends a lot of time on employee relations. For example, an employee had a baby and instead of quitting, Gene made it possible for her to bring her baby to work. Gene, Sharon and their employees also put together a 60-page employee handbook.

“I made the employees help me plan it out and write it,” he said. “That document was literally hatched out at my kitchen table. Some liked it, some thought it was a waste of time.”

An employee handbook is something many small or mid-size businesses may not think is important or may not know how to even begin writing one. Gene recommends the numerous resources available at the University of Nebraska’s Center for Entrepreneurship.

The future ownership of the business is also a concern for Gene and Sharon. Neither have children who have expressed an interest in taking over the business. They have considered several options: selling to the employees over time; selling out to a larger company; working the business until they die. “I don’t plan to retire,” Gene said with a laugh. “But I would like to see the business at a stage where I don’t have to be here all the time. Best-case scenario? I would like a heart attack someday right there at the potting bench in the greenhouse.”

Whatever the decision, it won’t be one taken lightly by Gene and Sharon. They have invested too much time, energy and heart into this operation. But time, energy and heart is what makes a business successful. As Gene tells potential entrepreneurs who visit his farm, “We’ve spent years building our business. You can’t do this in a year. People listen to me because I’m not a newbie. It’s not easy starting a business. You will not break even in the first year or even the second. But you keep going. You make plans and goals and go after them.”

Sharon added: “This is a slow-growing, modest income. It’s a choice we’ve made. We may not ever get rich out of this. We just try to provide a decent income for us and our employees, and provide our customers with first-class products and service.”

And so it goes, as the business continues to plant the seeds of success. Despite the challenges and setbacks, Gene said he enjoys his business: “This beats sitting in a cubicle in some office building any day.”
Appendix A – Bibliography

1) Edwards, Pamela; Papa Geno’s Herb Farm – A Story; publish date unknown.
4) Sage Advice; No. 16; February 2001; an occasional publication of Papa Geno’s Herb Farm; Roca, Neb.
Appendix B – Biographical Sketch

Gene Girard Gage, President & CEO, Papa Geno’s Herb Farm

Age: 56

Professional preparation


Professional experience


Adjunct faculty member of Center for Entrepreneurship of the College of Business Administration of the University of Nebraska, Lincoln, summer courses, 2000 and 2001.


Professional memberships

Mail Order Gardening Association, Garden Writer’s Association of America, Nebraska Nursery and Landscape Association.
Appendix C – Biographical Sketch

Sharon Rose, Vice president and COO, Papa Geno’s Herb Farm

Age: 57

Professional experience
Insurance industry beginning, 1969-87, held agent's license for in-house sales and provided customer service to clients in all lines of property and casualty insurance, member of National Association of Insurance Women; Office manager, small software company, 1987-90; Accounting, real estate business, 1990-95; Co-founder of Heartland Associates, Inc., 1986-present; COO of Papa Geno’s Herb Farm, 1993-present.

Sharon has two daughters who are also involved with Papa Geno’s Herb Farm.