

The Flower Business

Strategies for improving
profit



World Floriculture

Production value of flowers

2004

€60 billion

\$75 billion

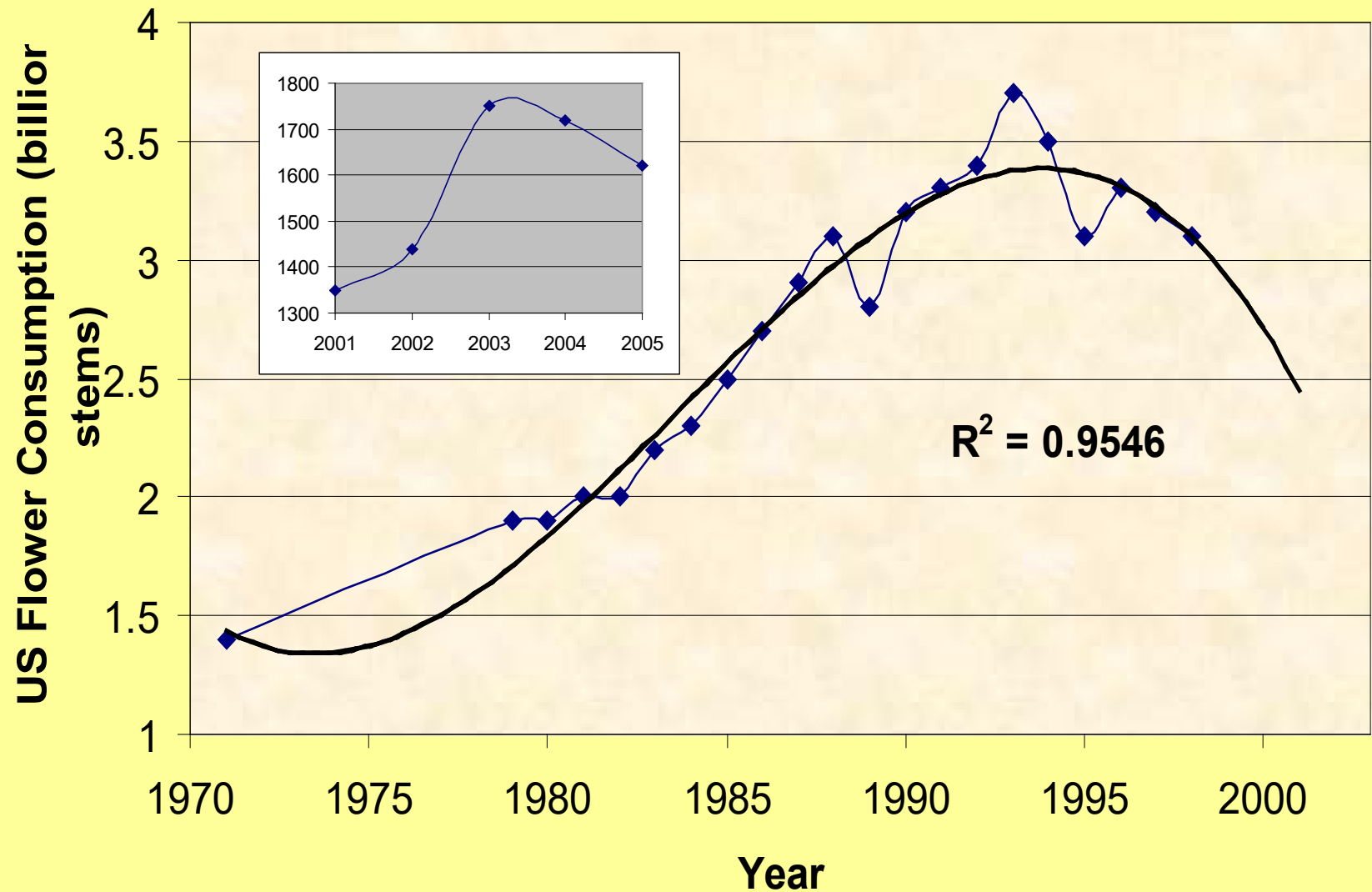
2002

€50billion

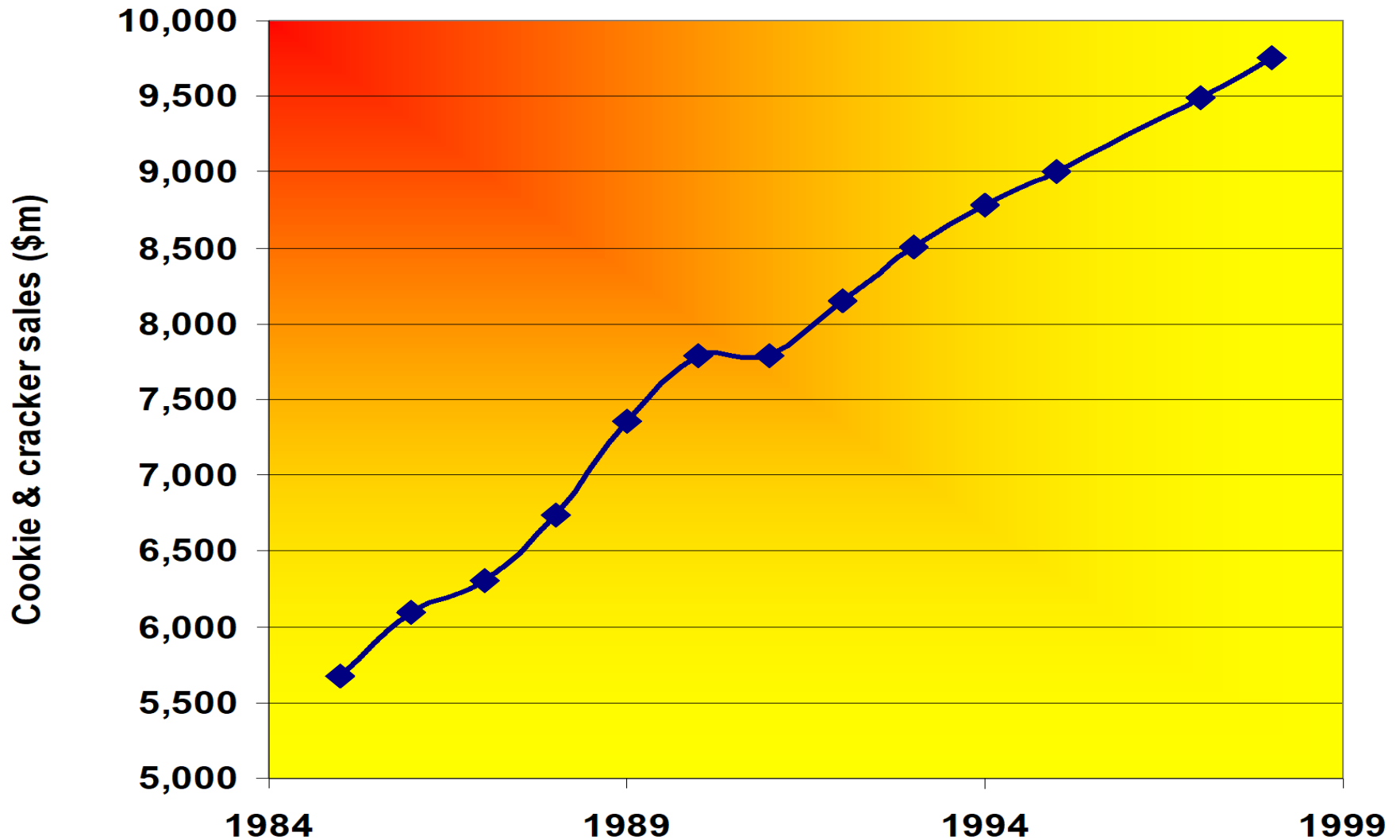
\$47 billion

(Source ALPH)

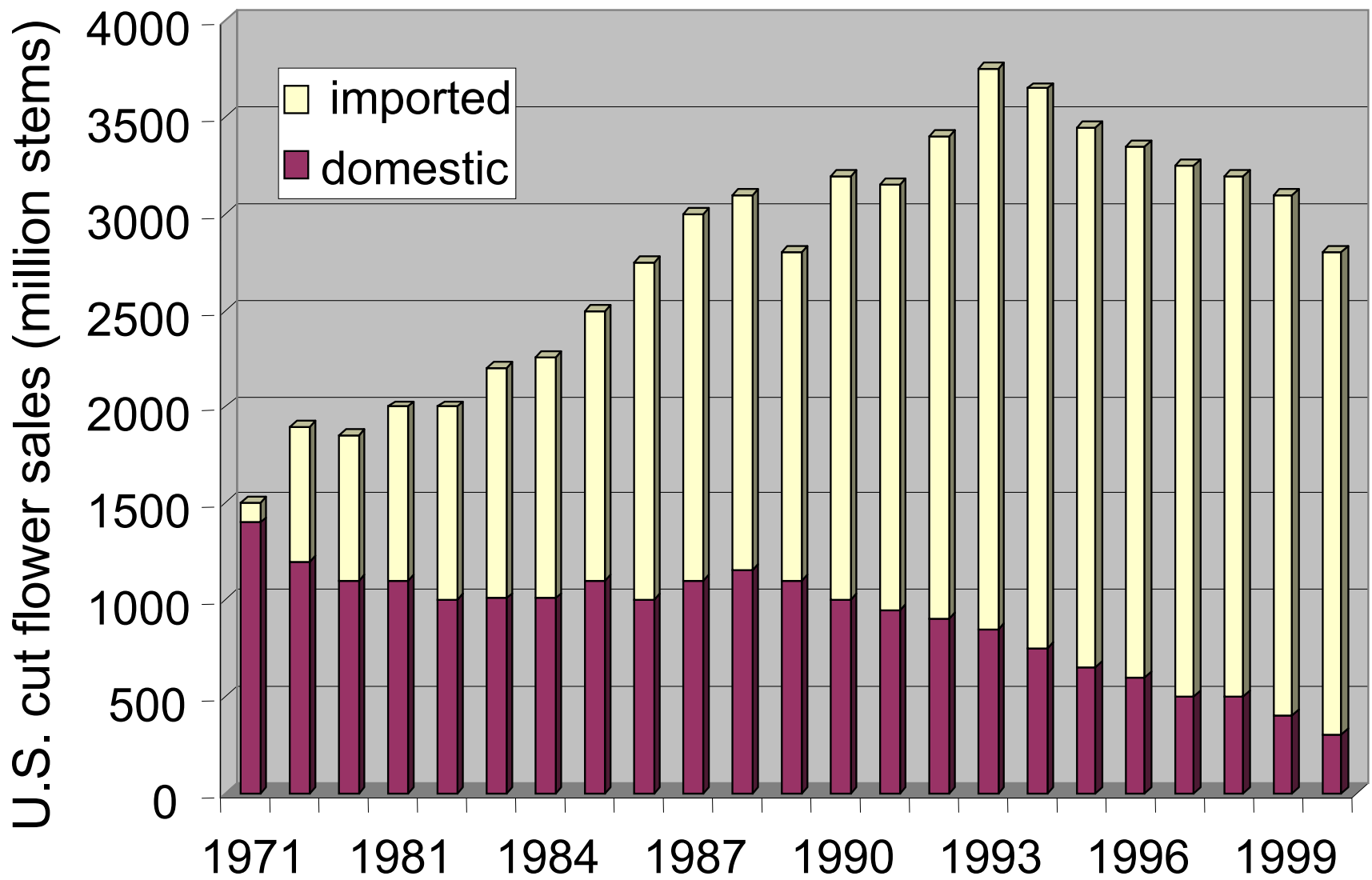
US Consumption



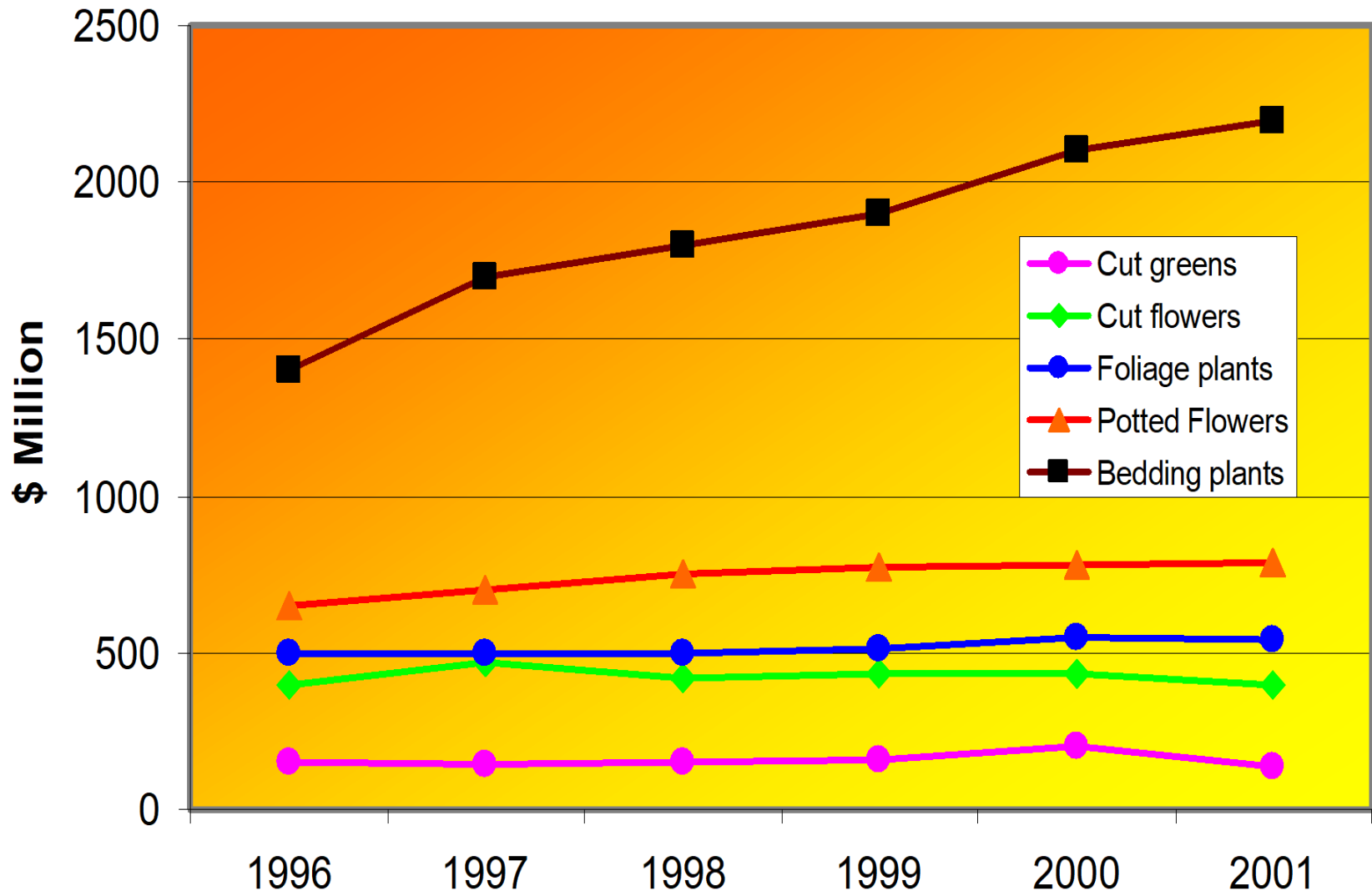
Contrast with cookies



**Is there a future
for the US flower
industry?**



Some products doing well



Low per-capita consumption

Table I. Per capita consumption of ornamental crops in the U.S. in 2001

| Crop | | Billion dollars* | Per household | Per capita | Import share |
|--------------|-----------------|------------------|---------------|------------|--------------|
| Floriculture | | | | | |
| | <i>Cuts</i> | 1 | \$9 | \$3 | 60% |
| | <i>Other</i> | 4.5 | \$42 | \$16 | 8% |
| | <i>Subtotal</i> | 5.5 | \$51 | \$20 | 17% |
| Nursery | | 8.7 | \$81 | \$30 | 3% |
| Total | | 14.2 | \$133 | \$50 | 8% |

Source: Floriculture & Nursery Crops, USDA, May 2002

*Based on wholesale value of sales and net imports

[illegible][illegible][illegible]

Consumption of cut flowers (retail) per capita in 2002

| | |
|---------------|------|
| ▶ Switzerland | € 94 |
| ▶ Netherlands | € 60 |
| ▶ Belgium | € 44 |
| ▶ Germany | € 38 |
| ▶ U.K. | € 40 |
| ▶ Italy | € 33 |
| ▶ France | € 33 |
| ▶ Spain | € 19 |
| ▶ Portugal | € 16 |
| ▶ Poland | € 7 |
| ▶ U.S. | € 5 |
| ▶ Russia | € 3 |

1€ = \$1.30



Some figures from the WFFSA tracking study

- ▶ **Floral sales 2004**
 - Florist shops - \$1.1 billion
 - Supermarkets - \$700 million
- ▶ **Purchase transactions**
 - Florist shops – 32 million
 - Mass markets – 75 million
- ▶ **US flower consumption**
 - \$6 per capita

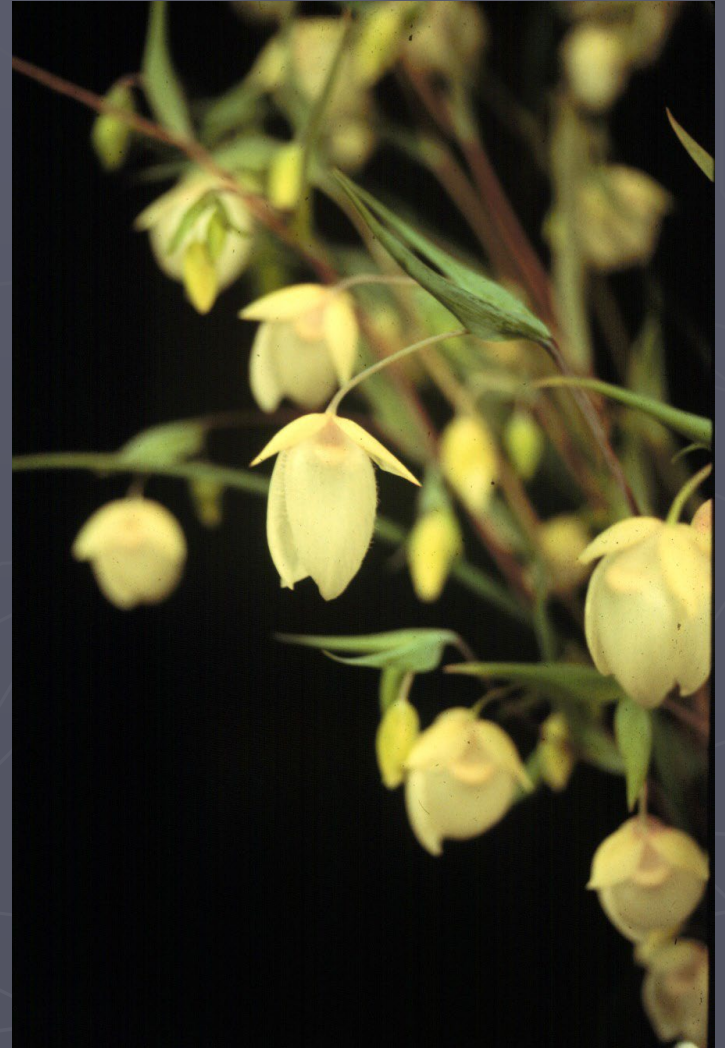


What's the problem?

- ▶ Low per capita consumption of flowers
 - Holidays
 - Weddings
 - Funerals
 - *Very low* personal use
- ▶ Low customer satisfaction
 - Lack of quality



What is quality?



Flowers aren't fresh enough

- ▶ Many are world travelers
- ▶ 25% are discarded between field and vase
- ▶ And what about those that are not discarded?
- ▶ Flowers don't last long enough
 - Early wilting
 - Shattering
 - Bending
 - Disease
- ▶ Customers don't return
 - Chocolates
 - Perfume
 - Cookies



Freshness is no joke!



HERMAN By Unger



4/12

© 1988 Universal Press Syndicate

"I can let you have those for half price."

Freshness is no joke!



HERMAN By Unger



4/12

© 1998 Universal Press Syndicate

"I can let you have those for half price."

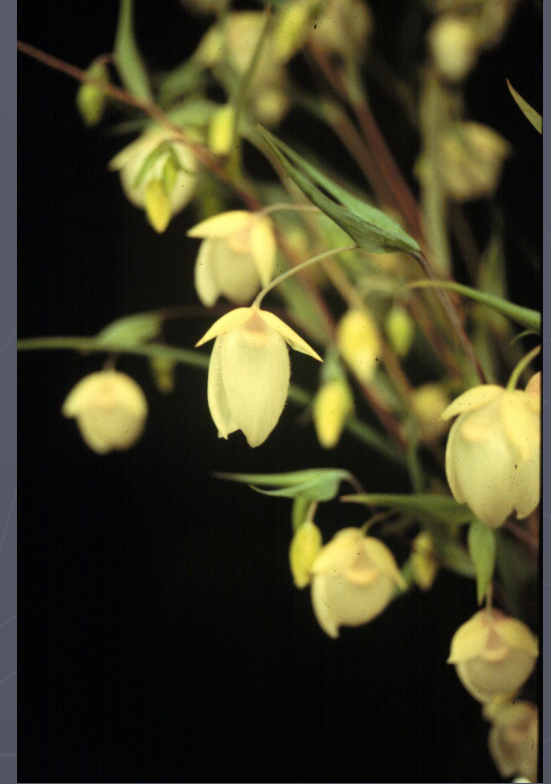
We can do better!

► Marketing should focus on freshness

- High initial quality
- Rapid delivery
- Temperature control
- Then consumers will be repeat buyers



SO! Why don't we handle our flowers better?



My opinion: Flowers are too cheap

- ▶ Low returns don't allow
 - Paying for better quality
 - Paying for proper handling
 - Paying for quality packaging
- ▶ SO, let's get more money for flowers
- ▶ Remember, PRICE is rarely an issue
- ▶ HOW can we do that?



Economics 101

- ▶ **Price = f (demand/supply)**
- ▶ **For a given demand**
 - **If supply is high, then prices are low**
 - **If supply is low, then prices are high**

We grow too many flowers!!

► A vicious cycle

- Flowers are abundant and cheap
- Maximize production
- Reduce inputs
- Minimize prices

► Adopt economies of scale

- Corporate farming
- Even more production
- Even lower prices
- etc., etc., etc.





A different paradigm?

- ▶ **Manage production to balance demand and maintain prices**
- ▶ **Pay more (a reasonable price) for cut flowers**

Can that work?

- ▶ Every other industry does it
 - Ford Thunderbird
 - Maserati
- ▶ X-box III!!!



But will consumers pay more for agricultural products?

- ▶ Wine
- ▶ Starbucks
- ▶ Truss tomatoes



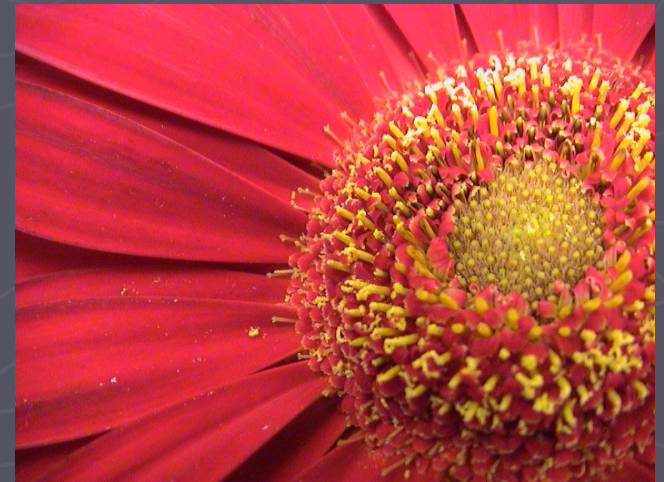
And, yes, it works for flowers!

- ▶ Valentine's day
 - $\text{Supply} < \text{Demand}$
 - $\text{Price} \gg \text{Cost}$
- ▶ February 15
 - $\text{Supply} > \text{Demand}$
 - $\text{Price} = \text{Cost}$
- ▶ Obviously, the flower industry can benefit by matching supply to demand



BUT, what about global competition?

- ▶ If we restrict production to ensure reasonable prices, we'll lose business to the lower-priced competition
- ▶ The key – differentiate our products
 - DISTINCTIVE
 - HIGH QUALITY
 - LABELLED



Consider perfume

- ▶ Ingredients low value (10 cents/bottle)
- ▶ Competition enormous
- ▶ Prices high (\$60 cologne – 60,000% markup)
- ▶ HOW DO THEY DO IT?
 - ADVERTISING
 - Identity
 - Mystique
 - Consistent quality
 - Loyalty



Distinctive products

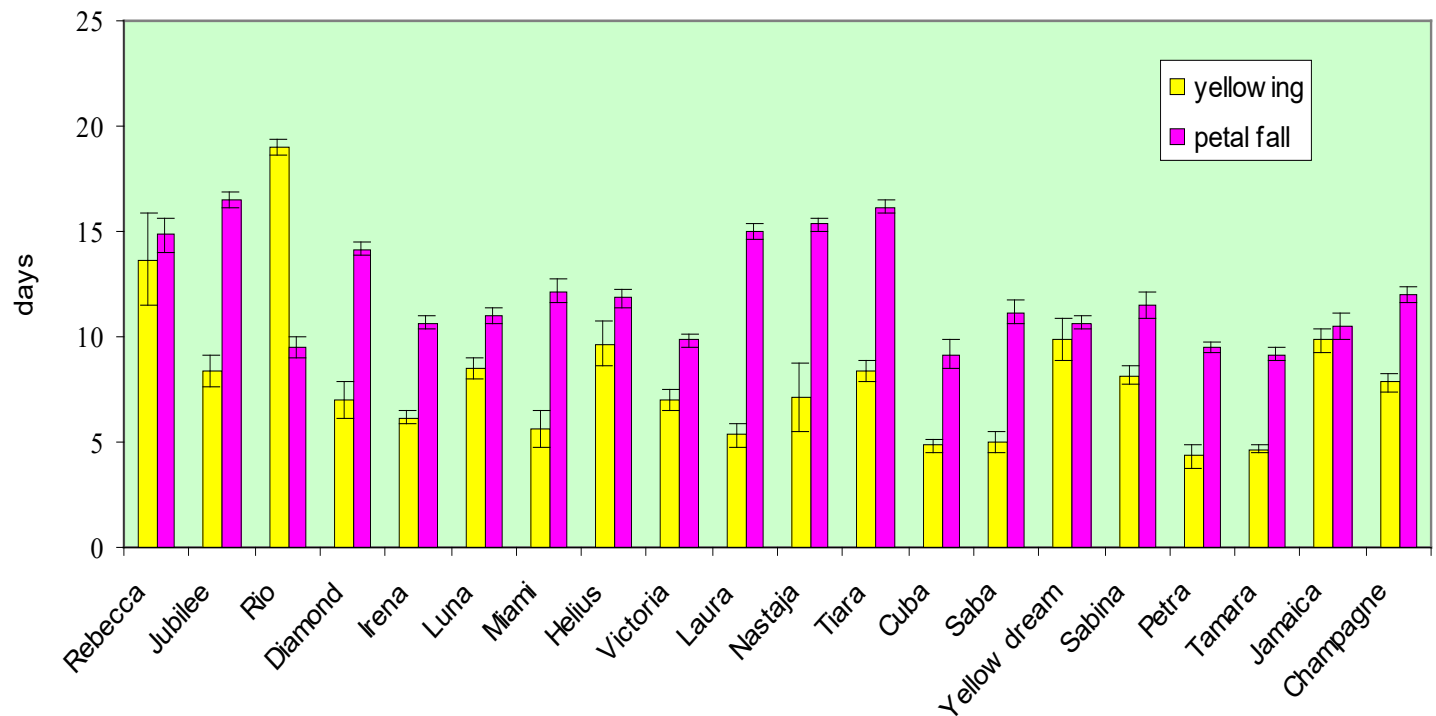
- ▶ Let's start with the industry standard
- ▶ Picture the perfect rose



- ▶ Now imagine that this rose was sold (in limited quantity) only by licensed wholesalers and growers
- ▶ How much could you charge for it?

Am I dreaming?

- That rose is not available, but neither is it a fantasy – a good breeder can develop it



How can we protect a differentiated product?

- ▶ Intellectual property
- ▶ Plant variety rights
- ▶ Labelling and packaging
- ▶ Agreements with growers & retailers



The kiwifruit example



The kiwifruit example



Economics 101

► Price = $f(\text{demand/supply})$

► For a given demand

- If supply is high, then prices are low
- If supply is low, then prices are high

► For a given supply

- If demand is low, then prices are low
- If demand is high, then prices are high

Increasing demand

- ▶ **A realistic goal**
- ▶ **Double U.S. cut flower consumption!!**





Example: United Kingdom

- ▶ Consumption has doubled in the last 5 years, tripled in the last 10 years!
- ▶ Strong growth of personal consumption
- ▶ Supermarkets have large market share
- ▶ More professional wholesale



(Changing of the Guards, London, Great Britain)

- Cut flowers per capita consumption, in Dfl. per year.
- Potted plant per capita consumption, in Dfl. per year
- Total per capita consumption, in Dfl. per year

Dfl.

130
120
110
100
90
80
70
60
50
40
30
20
10

SWITZERLAND
gift
+ private

HOLLAND
private
cons.

W.GERMANY
gift

AUSTRIA
gift

FRANCE
gift

UN. STATES
gift
+ grave

GR. BRITAIN
gift

Chief reasons

+ private

cons.

gift

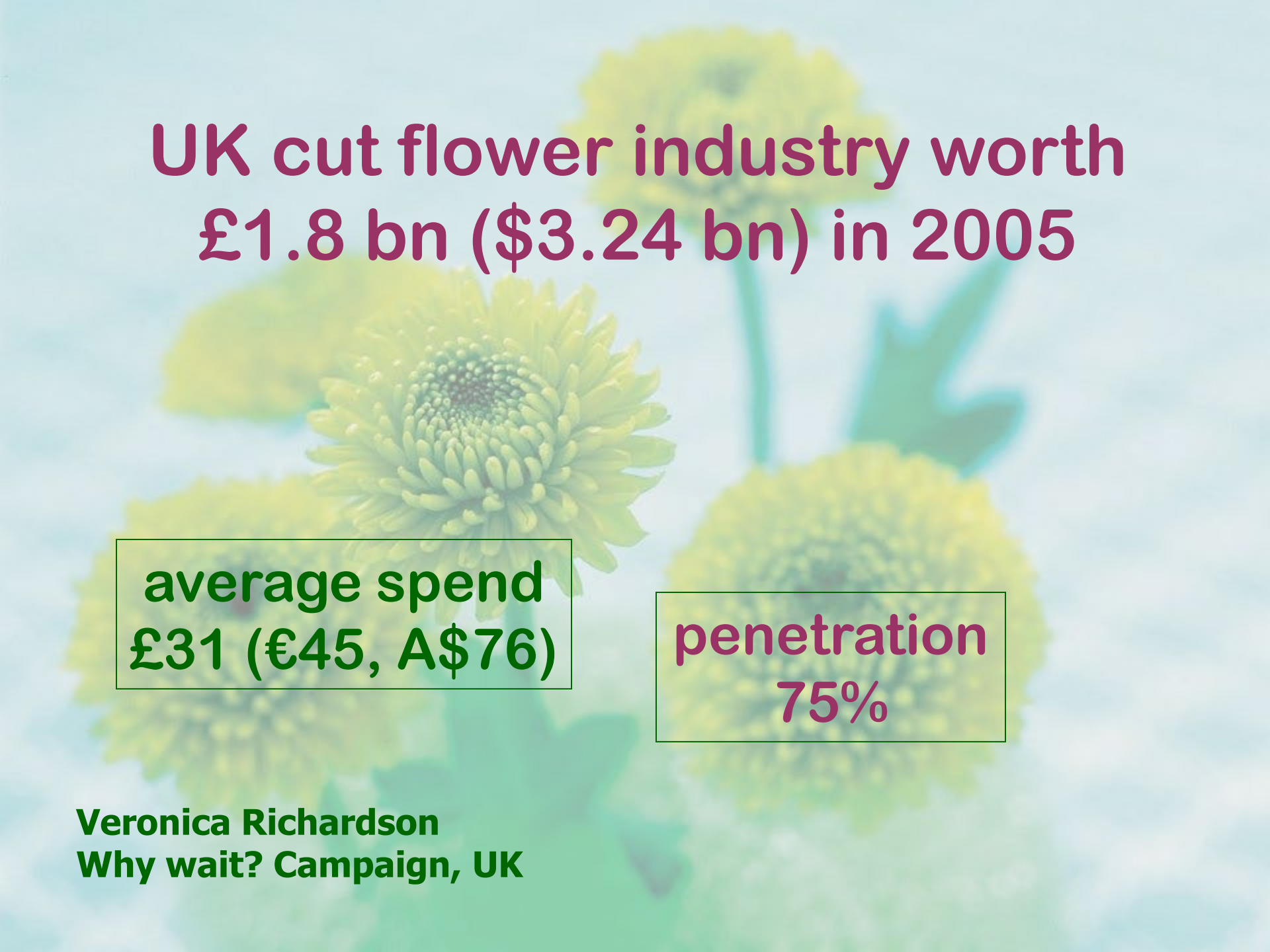
gift

gift

gift
+ grave

gift





**UK cut flower industry worth
£1.8 bn (\$3.24 bn) in 2005**

**average spend
£31 (€45, A\$76)**

**penetration
75%**

**Veronica Richardson
Why wait? Campaign, UK**

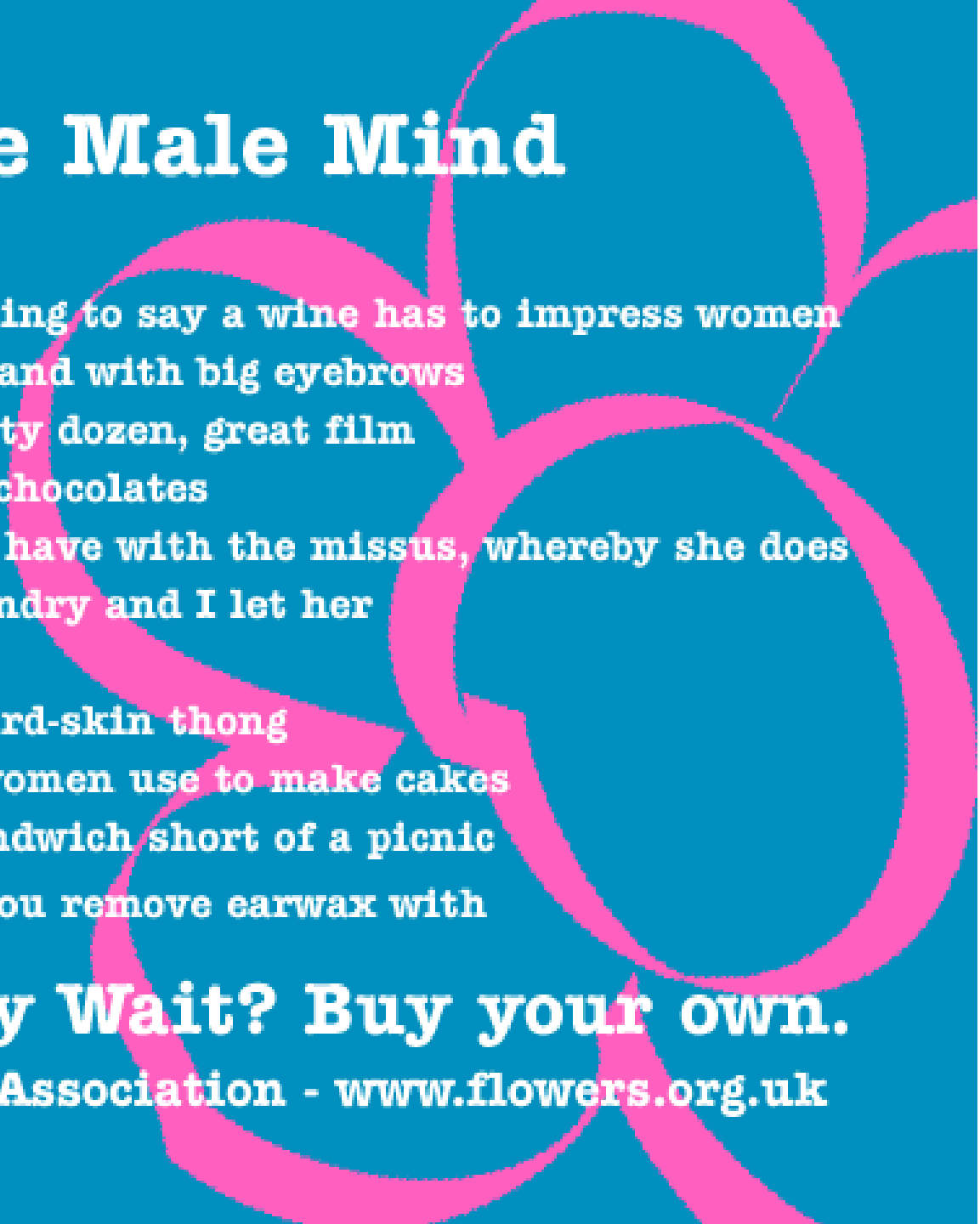
A woman's arm in a floral dress is visible on the left side of the frame. In the center, a clear glass filled with water sits on the rim of a white toilet. The background is a textured, light pink wall.

**Last thing he
handed me to put in
water was a teabag.**

**Flowers. Why wait?
Buy your own.**

Flowers & Plants Association
www.flowers.org.uk

Guide to the Male Mind



| | |
|---------------------|--|
| Bouquet: | Something to say a wine has to impress women |
| Oasis: | Manc band with big eyebrows |
| Dozen: | The dirty dozen, great film |
| Roses: | Box of chocolates |
| Arrangement: | What I have with the missus, whereby she does my laundry and I let her |
| Hand-tied: | Kinky |
| Posy: | A leopard-skin thong |
| Flower: | What women use to make cakes |
| Basket: | One sandwich short of a picnic |
| Buds: | What you remove earwax with |

Flowers. Why Wait? Buy your own.

Flowers & Plants Association - www.flowers.org.uk

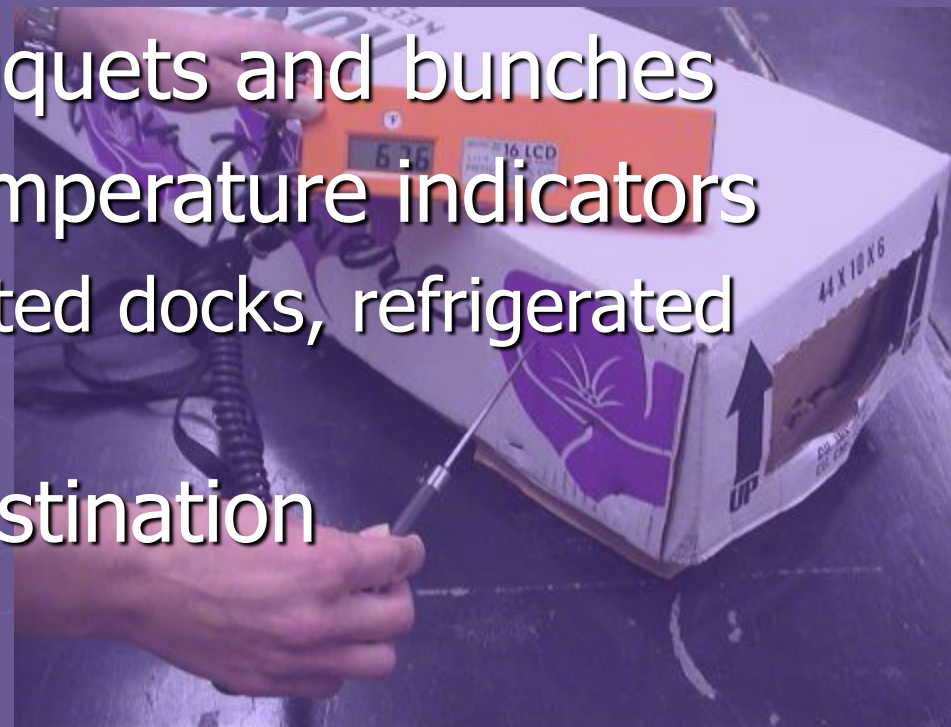
Increasing demand – improve customer satisfaction

- ▶ Marketing should focus on **quality**



Achieving the goal

- ▶ How about a '*certified fresh*' label
 - Quality standards for cut flowers
 - Harvest date on flower boxes
 - Sell-by dates on bouquets and bunches
 - Inexpensive time/temperature indicators
 - ▶ Precooling, refrigerated docks, refrigerated trucks/containers
 - Quality control at destination



And, to capitalize on the standards

- ▶ Postharvest training for flower producers, handlers, produce managers and florists
- ▶ And, yes, **PROMOTION!!**





Цветы из Голландии

от Базис Голландия
(Базис Холланд)

днём Святого Валентина



Цветы из Голландии



С днём Святого Валентина

Girls. Why wait? Buy your own.*

***Did you know that 1 in 3 men never buy their partner flowers?**



**Are you ready
for the
challenge?**



Blumen. Die schönste Sprache der Welt.

A man with a large, vibrant red flower crown is looking directly at the camera. He has two small white daisy flower rings in his nostrils. He is holding a pink flower with a green stem in his mouth. The background is a solid bright yellow.

*Enter the
Flower Zone!*