Commercial Cut Flower Industry

expansion of merchandising outlets for floral products needed to balance increased output capacity of growers

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Concluding a two-part article.

Economic studies of the cut flower industry warrant the conclusion—among others—that there is ample productive capacity to supply the existing demand for cut flowers. Should additional demand develop more rapidly than is anticipated, the output can be increased adequately without any appreciable change in the labor force, growing facilities, or areas.

Retail florists occupy a strong position in the commercial florist trade as it is estimated that about 85% or 90% of the dollar volume is marketed at retail. Considerably less of the physical volume of flowers is so handled. It is also estimated that more than 90% of retail sales are of the obligation type for funerals, weddings, promotional gifts, and ceremonial occasions. Sales for everyday use in the home or office are of secondary importance. Because of their dependence on retail florists, growers have become concerned over the increasing frequency of the request to omit flowers as a means of expressing sympathy or tribute, and the decline in the use of corsages, which is attributed to changes in women's fashions.

The daily volume of cut flower sales fluctuates greatly. Wholesale and retail dealers find it difficult to adjust the purchase of perishable flowers to demand. However, the obligation-buying type market tends to give relative stability to the total flower sales. Furthermore—for many small- and medium-sized retail florists—the present methods afford a livelihood for the operator and his family. Therefore, many established retail florists resist changes in selling methods.

The assumption within the cut flower industry that the demand for flowers is not affected greatly by changes in retail prices may be valid for flowers sold through retail florist shops, but statistical proof is weak. The strongest support for the assumption of price inelasticity rests on various estimates that 85% to 90% of the florists' trade is obligation-buying; that there is a fairly customary pattern for such buying; and that the purchasers seem to give a minimum amount of attention to price.

There is, however, no reason to assume that a demand inelasticity—as affected by prices or income—carries over to sales of flowers through other than retail florists' outlets, nor is there adequate statistical evidence to support a case for price elasticity for flowers sold through mass market outlets or retail stands. Many growers and distributors are operating on the assumption that demand is elastic and present markets can be expanded and new ones developed.

Expansion of Markets

A fundamental problem of the cut flower industry is to find satisfactory markets for an increasing output of flowers from the present—or even less—acreage, at prices that will cover costs and profits.

Available research findings fail to show that special sales, fewer services and lower prices, or better displays have improved net returns to growers or retailers.

Grower groups who advocate the development of new markets usually have taken the position that home-use buyers constitute a potential source of demand that has been scarcely tapped. The home-user market is believed to be an entirely different type of market which—when reached by mass merchandising through established retail food and variety outlets—would not detract business from retail florists catering to obligation buyers. However, the fact that a product is sold in a mass market outlet does not mean that the product is being mass marketed.

Trials of mass merchandising of floral products have been undertaken by a few of the larger food and variety chains. Some of the chains have taken the initial steps to establish their own buying setup and to perform their own assembly functions in order to offer consumers a regular source of supply of a wide assortment of flowers with a minimum of service.

Other retail food chains have explored the feasibility of handling florist items and have decided against introducing them, primarily because of supply problems.

The experiences of many processing and distributing firms disclose certain prerequisites to mass merchandising. The product must be: *1*, available in adequate quantities at all times; *2*, of uniform characteristics; *3*, used regularly and induce replacement or repeat purchase by the user; *4*, convenient to display and easy to handle; and *5*, priced to appeal to a large number of people.

There appears to be no question as to the availability of some flowers throughout the year in present retail florist shops. However, the industry is not geared to mass marketing or to supplying flowers on a regular basis. The total supply of florists' products regularly available for market and the facilities for assembly and distribution to mass market outlets are considered inadequate by large retail buyers. However, the cut flower industry leaders claim the industry can expand production rapidly, provided market conditions would justify such an expansion.

Product uniformity in the cut flower trade is finding wider acceptance as a basis for buying and selling such staple items as carnations, chrysanthemums, gladioluses, and roses at both grower-wholesaler and wholesaler-retailer trade levels. However, specification buying has not yet made a serious dent in the practice of buying on the basis of inspection. Because of the rate of perishability of some flowers and greens, purchase by inspection is likely to continue, carrying with it the complementary practice of consignment selling. Whether mandatory uniform grading of cut flowers and related products would provide an entirely satisfactory basis for specification buying and selling is problematical. Quality deterioration between shipping and delivery points may lower the grade and value of the product. Various changes in handling fruits and vegetables for mass merchandising—prepackaging, improved handling techniques, and moisture and temperature controls—have been made on the premise that an identifiable quality established at a shipping point could be maintained through the marketing channels. In many instances this has not proved true.

Mass merchandising depends on repetitive buying by consumers. Regularity of purchase and use enables growers, processors, and distributors to adjust their operations to market requirements. Furthermore, a more or less continuing flow of products or work permits businesses to operate with lower margins,

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ket are less favorable. Even the new legislation probably will leave the United States domestic cotton price somewhat above the world market. Subsidies or preferential prices, therefore, still are necessary to maintain existing export levels.

Cotton farmers' incomes in 1959—and possibly in 1960—quite likely will be lower than in 1958 under either Plan *A* or Plan *B*. Nor can the growers expect a sharp improvement in gross receipts and profits for several years. Their net earnings may rule lower for five or more years than under recent relatively high price support levels. In spite of this relatively discouraging prospect for the near future, it is to the advantage of efficient growers to live with the new program or a comparable one that will allow domestic—and ultimately world—prices for cotton to come into line with competitive conditions. This is because there is a sizeable growth potential in the United States market, particularly, and also in the foreign market. Realistic prices, quality maintenance, and efficient production will enable California and United States cotton growers to take advantage of such growth.

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thereby exercising a competitively restraining effect on prices.

Consumer buying habits in floral purchases, under the present marketing system, throw little light on what to expect if floral products were mass marketed; and no studies have been made on consumer buying habits in the limited mass-merchandising efforts that have been made.

Competition among products for display, shelf, and storage space in retail food and variety stores is a major hurdle to the introduction of a new line of merchandise. Wholesalers must show retailers that a new product will be convenient to handle, will require a minimum number of changes in facilities and work methods, will be available at conveniently located wholesale houses at all times, and has potential turnover and margin rates that will improve the retailers' net returns. Retailers are accustomed to surveying their alternatives and to selecting the kinds and qualities of merchandise they wish to sell but modern merchandising caters to consumer convenience as exemplified by supermarkets and shopping centers. A further move to serve the consumer has been the search for the most desirable packages, colors, and other measurable physical characteristics that affect consumer choice. This phase of merchandising is one of the most competitive aspects of retailing. Prepackaging of flowers for sale to retail stores and consumers is in an experimental stage. From the standpoint of the retailer, prepackaging by the grower for consumer sale could have distinct advantages in handling. However, the consumer would not be able to inspect the contents of the package and whether he would accept prepackaged flowers on large scale remains to be seen.

The extent to which cut flower sales would be increased by placing more emphasis on price and less on service is not known. However, it appears that the average man or woman is far less concerned with the finer points of a perfect flower than are florists and plant breeders. A few produce dealers who have had experience in selling flowers, foliages, and potted plants found customers reluctant to pay more than a dollar for any one purchase of flowers or plants. On the other hand, consumer demand caused one produce dealer handling floral items to add a number of special preparation services at a special charge. This service-type flower operation is estimated to account for about 60% of the dollar sales but only 25% to 30% of the volume in the flower department. Apparently consumers are price conscious when buying flowers for home use but much less so when making occasional obligation purchases to conform to social customs.

There is an apparent conflict of interest among flower growers, wholesale dealers, and retailers that has become important in the floral industry because of the use of improved production methods at the grower level and the need to find profitable markets for a greater volume of products. The problem and the pressure to solve it originate at the grower level but the solutions being proposed could greatly alter established marketing channels and practices if introduced by the industry.

Many prominent wholesalers and retailers—and even some growers—have discouraged efforts to mass merchandise cut flowers on the theory that their immediate interests would suffer and there would be no long-run advantage to be gained from such a change. The impetus to change appears to be coming from food and variety store operators who see possibilities for using mass-merchandising methods for selling flowers and potted plants. Such a change could lead to more direct dealing between growers and retailers. For independent supermarkets this has proved true. The type of facilities required to handle fresh fruits and vegetables is quite similar to that used by florists, and the wholesalers have an established retail food store clientele, which immediately would be available as potential customers for floricultural items. Such a marketing arrangement would reduce some of the procurement problems by making it possible for the retailers to inspect their flower purchases along with other items bought from the wholesaler or to depend on the wholesaler to deliver acceptable qualities of flowers. Although a shift to fruit and vegetable wholesalers could have serious repercussions on many of the specialized floricultural grower-wholesalers and wholesalers now serving the industry the procedure appears to be an economically feasible way of increasing the availability of flowers to the general public and, at the same time, offering certain procurement and distribution cost advantages to growers and marketing agencies.

Competition for the consumer's expendable income is keen and various analyses show an average of less than 0.3% of each dollar consumers spend for personal consumption items is used to buy flowers. The usual pattern—whenever homemakers have a desire for fresh flowers—is to satisfy such a desire with home-grown flowers, a tendency which is reflected in the sale of garden seed, bulbs, and plants for home gardens.

Even though there is a wide assortment of highly competitive market-tested products with which retail dealers can stock their stores, there remain two conditions that favor the introduction of a new line of products. The first is the varying success among competing retailers in selling like products. Frequently, a retailer will seek a better use of the resources at his disposal by taking on different kinds of products. If the new venture is successful, the initial returns may be high, particularly until competing retailers introduce the same kind of product. A second favorable condition exists as a result of the activities of a small group of marketing innovators who encourage experimentation and risk taking. However, the ability of a grower initially to establish a trade relationship with a wholesale or retail outlet does not mean that such outlets can be kept open automatically. The grower must maintain service to his customers in terms of product availability, quality, and price. Even then wholesalers and retailers can not be expected to maintain an interest in selling the product unless it yields a net return equal to or in excess of other products that can be handled equally well.

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