A Look at the 1980's*

Will The Florist Still Be Around?

Max E. Brunk
Department of Agricultural Economics
Cornell University

For more than twenty years I have been preaching the need for greater innovation and imagination in marketing the sentiment, romance and beauty which your product represents. If I were to judge the future of your industry on the basis of your performance over these twenty years, there would be little real optimism in my talk. During the past thirty years the American economy has expanded at an unprecedented rate and the whole social environment has undergone radical change. But a comparison look at the florist industry in 1939 and in 1969 reveals little response to either the social or economic changes that have taken place. If you would like to get the full flavor of the way business was done thirty years ago—of the social and economic thinking of thirty years ago—I suggest that you pay a visit to your nearby florist. I am reminded of the slogan currently heard on one of the T.V. commercials of a paper company. In this scene the Chairman of the Board asks the pointed question: "What have we got they haven't got?" Yes, you know the answer—you know it too well. "We've got tradition, J. C." The director giving that response could very well be a florist!

It is not my purpose to look idly back at the inertia of the past. To the contrary I am charged with looking to the future. What will your industry be like in the 1980's? And the question of whether or not florists will still be around is really one of *what* florists will be around in the 1980's. Recognizing that this topic requires more vision and competence than that commanded by any one man, your program committee has made provision for a very capable, well-balanced panel of highly respected industry members to debate this issue following my talk. Their contribution will be most rewarding if I can but succeed in setting the background.

First, to identify the opportunities before you, I would like to paint a quick picture of the general economic environment in which we now live and will be living in the 1980's. Then I will try to identify what the buying public will be like—what they will be expecting from you or from those who will displace you. I will put in my two-cents worth on what I think you should do and conclude

(continued on page 3)

---

*Talk before the 1969 New York State Flower Industries Convention at Syracuse, New York on November 3, 1969.

A Look at the 1980's

(continued from page 1)

by raising some questions which can be answered by the panel members.

With the aid of a slide let's look at what has been happening to per capita disposable income over the years. This is the dollars people have at their command after Uncle Sam has claimed his share. Note how we lived in one kind of rather economic monotony between 1915 and 1940. An almost constant level of 5 to 6 hundred dollars per capita for 25 years, and how we have lived in another kind of economic world since 1940. The past 30 years of a very constant increase in incomes have established quite a different way of life. There are some of you who will say that this is nothing but inflation. In a few moments I'll show that this is not true—only part of it is inflation.

But the market opportunities before you are best indicated by the next slide which multiplies per capita income by the number of people in the market. Here we see how a 60 to 70 billion dollar market has grown into a half trillion dollar market. With this kind of market growth a businessman has only to keep his doors open to stay in business. He doesn't have to think much. He doesn't have to innovate. He can do with an ever decreasing share of the total market and still make out pretty well. This kind of economic environment encourages lethargy. It gives rise to the philosophy that society owes us a living. I do a lot of work with the meat packing industry and my friends in that industry tell me that the most dangerous time in a pig's life is when he is fat! Yes, you have been too fat to think—too fat to have to fight for the opportunities offered by a fantastically growing market, peoplewise and dollarwise.

This growth of the market is not an inflationary illusion. But we have had enough inflation for it to be the scapegoat for those who seek excuses. This slide shows the toll taken by inflation. The interesting thing to note here is that the rate of inflation over the past 15 years has been much less than in the prior 15 years. Relative to the true growth in the market, inflation has been far overemphasized in the press.

Now we are ready for the last slide and this is of prime significance to you. . . . it may even be a bit of a shock. Here we show per capita disposable income in dollars of constant value. For a full generation of 30 years we have had an unprecedented growth in affluency. Bear in mind as you look at this picture that as people's real incomes change, the products they seek from the market, the services they demand, their whole scale of values and priorities change. What were once regarded as luxuries to us are today the necessities of our children. Is it really so surprising that the old and new generations have a communication gap? Is it so surprising that social customs and values are rapidly changing?

Today we worry about the poverty in our midst, about air and water pollution, about auto safety, about cyclamates, DDT and additives to our food not because these are new problems unique to the 1960's but rather because suddenly we can afford to worry about them. . . . they have moved upward on our economic and social scale of values. One no longer gains social prestige by driving the longest and most expensive car in town but rather by engaging in voluntary social service work and the like.

Before we talk about what these changes may mean to the flower industry I would like to explore for a moment the reasons for this sudden change in our way of life. This might be useful for those of you who think we are going through a series of fads, a cyclical movement, or a temporary boom—for those of you who think we will soon return to our sanity and soon reinstate the social customs and mores of the past.

What is it that happened around 1940 that suddenly shook us out of a long period of economic immobility? Why is it that disposable incomes remained almost constant through World War I, the post war depression and boom, and the sad years of the thirties when nothing more than the creation of a new hit tune was regarded as a social revolution? I can only guess and here it is in capsule form. There was no one force but rather a simultaneous happening of a number of things that set us off on a new course of creating new wealth at the constant rate of 2.9 percent compounded annually for 30 years. In preparation for war, inflation of the early 40's started the ball rolling. As jobs opened up and men joined the services, women by the millions suddenly joined the working force. Many families found life more comfortable with two rather than one wage earner. Still there were not enough workers and as wages rose a backlog of technology was injected into the economic stream adding to the productivity of each person. Moonlighting into a second job became common. Consumer credit soon expanded rapidly. We quickly became a nation of homeowners with mortgages rather than tenants. We learned to spend before we earned, and we got on an economic treadmill which we have never been able or willing to abandon. Even our attitudes toward retirement have changed. Our retirement policies are obsolete and we don't know it. For those whose health will stand it retirement pay now only supplements income derived from new careers begun after retirement.

Now I have spent a long time describing the changing economic and social environment in which you have to do business. In my blunt opinion your industry needs a shock treatment such as happened to our general economy in 1940 to jolt it out of its doldrums. I predict that some day some technology, some innovator, some new demand or social custom will come along to provide that shock. I have not the wisdom to tell you what or when that shock will be, but unless it comes along you will continue to drift on some of the left over fat of an affluent market and eventually fade away.

In past years I have spoken before many florist groups, though I do not recall ever having had the privilege of talking with retailers in New York. Anyway, some of you growers and wholesalers have heard me often take the negative approach in describing common industry practices which restrict your growth opportunities. In spite of my many years of chiding about your cumbersome distribution system; your archaic pricing philosophies; your

(continued on page 4)

A Look at the 1980's

(continued from page 3)

pickled posies; your falsely assumed franchise on the wedding and funeral business; your feeble and undernourished advertising and educational efforts; your restricted, cold and formal retail outlets; your inadequate personal salesmanship and your mutual admiration design schools; the American consumer of today, who wants a breath of fresh air, still gets and expects about the same values from your industry that her grandmother got. Having now discharged my grippes all in one sentence, I should now like to offer at least a few simple guidelines which might serve to broaden your market horizons.

Guideline 1. Learn to work together as an industry. Learn to have confidence in, listen to and react to the ideas and opinions of growers, wholesalers, suppliers and retailers. Some ten years ago I prepared a rather elaborate sales training program for retail florists under sponsorship and at the expense of F.T.D. I found this program used in clothing stores, auto supply houses, in the public school system but I have never found it used by a florist. You already know how to sell. You already know how to violate almost every principle in the book of good mechandising. I also remember a personal experience some eight years ago in touring florists in 40 states on behalf of the Holland Bulb exporters who were seeking to expand their markets in this country. The motives of the exporter in attempting to bring about better merchandising practices were generally regarded with suspicion by the retailer. In fact many retailers seemed to regard the supplier as an adversary rather than a partner in business for mutual benefit. Now regardless of your opinion of these exporters, they have over the years, in a world-wide market, gained a lot of merchandising know-how that could be of some possible benefit to a retailer. Recognition that you have far more interests in common than in conflict might well enable you to capitalize on some new opportunities.

One giant step in the direction of industrywide cooperation is demonstrated in this meeting where, for the first time, the industry is meeting together as an organized body. While I may have a question of what took you so long to get together, just keep in mind that the benefits you get from this organization will depend entirely on the degree of your personal involvement in it. At any rate your getting together gives me at least one opportunity for saying something favorable about the future of your industry, and I commend you for taking this long overdue step.

Guideline 2. Identify your competitor not in terms of product handled or service rendered but rather in terms of consumer values offered. To do this you must look at your own business and the businesses of others through the eyes of an unbiased consumer. This, in a nutshell, says you must become more market oriented—more sensitive to the whims of the consumer. You must become more sensitive to the changing social and economic development in which you seek to do business. Can the florist industry give the public a better buy in sentiment than the charitable institution, a better buy in an expression of gratitude than the gift shop, a better buy in thoughtfulness than the confectioner, a better buy in prestige than the jeweler or travel agency, a better buy in fragrance, beauty, fun and novelty than all the other competitors? What changes can you make to meet and beat the competition? How can you use your product and service to give the customer a new lift? Have you overplayed sentiment? Are there possible avenues of emulation where you might have the advantage? Such evaluations call for the cold, calculated look of an unemotional, disinterested party—the power "to see ourselves as others see us."

Guideline 3. Within your own industry seek out ways to become distinctive—to become identified with a specific value—to serve a definite and distinguishable market segment. All effort in market development, be you grower, wholesaler, supplier or retailer, should be directed at differentiation of product and service designed to fulfill identifiable use values. It must always be recognized that a common product or service in the long run is only marketable at a price approaching cost of production. At the same time there must be a continuing realization, in this day of rapid communication, that franchises in either production or marketing know-how are as essential as they are perishable. Essentially the process of differentiation is a continuous one with the most effective action being one of creating the obsolesence of your own franchise.

Guideline 4. A reasonable amount of company growth and industry growth should be planned and realized from the efforts of the firm or industry itself. Growth realized from population or income expansion as well as from cost reductions resulting therefrom, should be accepted for what they are and nothing else. Position relative to others in the industry or the position of your industry relative to the industry or the position of your industry relative to others are the true criteria of business success. Every firm or industry should have a long range plan for growth with appropriate goals, defined methods of achieving them, and defined measures of performance. In this perspective one might well raise the question about the progress growth in the florist industry over the past 10–20–30 years. It is interesting to note that those industries or firms which assume market growth as an inherent right invariably sink into oblivion. People who work with living plants certainly should recognize that vigor stems from the struggle for survival.

Guideline 5. Emulation of a competitor is a poor substitute for thinking and initiative. Every emulative action reduces the capacity of the firm or industry to perform. The very force that makes competition work so well is the struggle of business to reduce or avoid it. Emulation does nothing more than create competition or make it more severe. . . an action that reduces opportunity for profit.

Guideline 6. Pricing is to marketing as labor efficiency is to production. As a result, both the greatest errors and the greatest ignorance in marketing lie in pricing. Most of us seem to assume that prices are made in heaven—that prices are the sole product of those mysterious forces we so glibly call supply and demand. Nothing could be further from the truth but nevertheless it leads us

(continued on page 5)

(continued from page 4)

to a system of pricing by default. We all know that prices create both supply and demand and yet we readily accept the economic doctrine that prices *result* from supply and demand. Time will not permit elaboration on the principles of product pricing. You will have to take my word for it. Success in marketing is as dependent on efficient pricing as success in production is dependent on labor efficiency. The only distinction is that the latter is far better understood than the former. Any business or industry that blindly accepts the pricing policies and practices of its competitors foregoes the bulk of its marketing opportunity. If you feel incompetence in this area you are indeed not alone, but remember that the degree of incompetence is only a measure of the degree of opportunity open to you.

Guideline 7. Recognize, analyze and capitalize on the nature of demand for your product and service. The florist industry, as you know, simultaneously serves two extreme forms of demand. At one end of the demand spectrum is the wedding and funeral business—a market characterized by a highly inelastic demand—a necessity market. At the other end is a highly voluntary market—the purchase of flowers for everyday use in the home—a luxury market. The former is a somewhat fixed market ranking high on the priority scale of buyers. The latter is a highly variable market ranking far down the consumers priority scale. Under conditions of rapidly rising incomes, the luxury market is far more responsive to growth than the necessity market. The two markets require distinctive treatment in advertising, promotion, and sales effort. Trying to use common practices to serve them both is like shooting two birds with one shot—you miss them both. The necessity market is your bread and butter. It requires comparatively little skill. The luxury market is your opportuinty for growth. It requires the best of merchandising skill. No other industry has such a dicotomous market. The industry has never really learned to serve both markets and this is the challenge before you.

In conclusion let us look at the kind of market you will face in the future. I will try to identify some of the social environmental changes having impact on your business.

1. Inflation will continue in the future—perhaps even at an accelerated rate. This will accelerate technology and maintain full employment, whatever that means, because wives will continue to join the working force. Real incomes will continue to rise. More luxury products and services will become necessities. While people become more vociferous about the increased cost of living, their actions in the marketplace will continue to belie their words. How will this alter their scale of values? How will this affect the proportion of your total business going to the so-called luxury market? How will this affect the excessive proportion of unskilled, underfinanced people who enter your business either as growers or retailers?

2. Family life will be materially altered. People will be far more mobil. They will engage in more social activities outside the home and family circle. Instead of three meals

a day, they will eat continuously and much of that will be outside the home. How will the changing home environment affect your market and the kind of services demanded of you?

3. Attitudes toward the female, around whom so much of your business is centered, are undergoing enormous changes. Not only does she carry more of her weight as a family wage earner, but also she is far more independent. The male-female relationship is changing so that the female receives a different kind of attention from the male. She is no longer wooed and courted as in the past. She receives fewer overt demonstrations of affection from the male. Conspicuous displays of affection are losing style. I do not know where all this leads but it is my guess that if the female is to have the pleasure of flowers in the future she will have to learn to do more of her own buying. That is part of the price of the new independence. And what will this do to advertising appeals and merchandising methods? Does this have anything to do with the higher proportion of female shoppers seen in florists shops today compared with twenty years ago?

4. In a congested society man has always strived to set himself apart in someway from his fellow man. As society becomes more affluent the methods of differentiation—of gaining social prestige—of attracting attention to one's self changes. How can you capitalize on this trait? How can you contribute to new fads and customs to this end?

5. In an affluent society quality displaces quantity and the choice of variety becomes more important. Appreciation of the arts becomes more widespread. How can you upgrade your product and services to meet this demand?

6. Increasingly we are being married and buried on the run. Long established social customs are being overturned. We look upon these two major events in life with increasing realism and less emotion. And what will these mean to your business?

There are no easy answers to these questions which arise out of a rapidly changing economic and social environment but your ability to recognize change and respond to it will in large measure answer the question of what florists will be around during the 1980's. Perhaps then, and only then will you invite me back to take another critical look at your industry.