



IN COOPERATION WITH COLORADO A AND M COLLEGE

Ray App, Secretary, 4434 Lowell Blvd.,

Bulletin 80

Denver, Colorado

June, July 1956

## *A Report on the Economics Workshop*

By L. T. Kintzele <sup>1/</sup>

The Fourth Annual Economics Workshop, hosted by the Society of American Florists Economics Advisory Committee and held in Washington, D. C., June 14 and 15, 1956, vindicated the vision of a small group of industry members who more than five years ago, foresaw the need for initiating and encouraging marketing research in floriculture. Compared with the first Economics Workshop four years ago, when there were representatives from five universities, there were 20 schools represented this year, all of whom are currently conducting marketing studies in floriculture. This year, also, for the first time, horticulturists from various universities had been invited to attend the Economics Workshop and their numbers, representing 19 universities, plus the Economics Committee Members and other SAF representatives, swelled the attendance to 68 persons.

The program presented was interesting and full. It was a tribute to the Committee who organized it.

Just a word about the Economics Advisory Committee, the youngest Committee with permanent status in the Society's table of organization. Initially, the Committee's goal was to stimulate research in the marketing of floricultural crops. It was hoped that these studies would provide some much-needed answers to the failure of sales to match strides made in production since the end of World War II. In a few short years, through the efforts of the

Committee, the Society's executive secretary and such industry benefactors as Truman Fossum, Max Brunk, Bob Hampton, et al, sufficient interest has been stimulated in the marketing of floricultural products that we now have more than 20 universities in this country with research programs covering the entire gamut of floricultural marketing. It should be understood by industry members that almost all of the cost of these research programs is paid out of RMA Funds (Research Marketing Act) made available by the Federal government. These funds were available for some time before floriculturists began using them.

Perhaps many of the studies now being conducted will be of no ultimate benefit to the industry but it is safe to say that a substantial percentage of them will. Many of the benefits are already apparent. The merchandising of flowers by existing retail florist outlets is perhaps ten times greater today than it was even two years ago, and this interest is a direct result of these studies in the marketing of floricultural products. Recent studies conducted at Michigan State University by Paul R. Krone, in collaboration with Horst Von Oppenfeld and John F. Schwartz, indicate the willingness of some retail outlets to try "merchandising" cut flowers.

<sup>1/</sup> Mr. Kintzele operated greenhouses for a good many years. He is at present Sales Manager for Denver Wholesale Florists Company, Denver, Colorado

Further studies in marketing through mass outlets have shown us the possibilities of using these outlets successfully, as well as pointing out some of the pitfalls to avoid.

There have been studies in consumer preference which can be extremely valuable if utilized by the industry, and the foliage plant people can certainly put to use the studies of A. F. DeWerth and H. P. Sorenson of Texas A & M. There are other studies already completed and many others now in progress. They are worth while studies and florists would do themselves and their industry a service if they would utilize the information reported from these studies and encourage continued study in this very important field of marketing research of floricultural specialties.

There was an innovation in the Economics Workshop program this year. Representatives of the industry, namely a producer, wholesaler and retailer, were asked: "What does the Florist industry need from marketing research? Yours truly--although no longer a bona fide producer--was asked to handle the producer's viewpoint. Oscar Carlstedt, well known and successful wholesaler who owns and operates a branch of wholesale outlets throughout the southeast, was chosen to handle the wholesaler's assignment; and Ralph Bachman, one of the largest and most successful retailers in the country, who has made a specialty in merchandising in the past two or three years, was asked to respond for the retail florists. The purpose of asking industry representatives to state their "cases" this year, was intended to provide the agricultural economists, currently working on marketing research programs for floriculture, a better insight into the thinking and the interpretation of the industry's problems by industry representatives. Mr. Kintzele asked that researchers provide the industry with the "informational tools" which would make it possible to eliminate the "between holiday" surpluses which have plagued the grower since the beginnings of commercial floriculture. He explained the position of the grower on today's market, pointing out that the producer has no control over the ultimate sale of his production. He produces his flowers, brings them to market, and hopes that they are sold. The prudent producer, of course, is utilizing all the information he has on the timing of crops and those with know-how and ability--with

an assist from a friendly weatherman--can "hit" sufficient high demand periods to operate in the black. However, flower production cannot be turned off or on for low and high demand cycles and there are many periods, particularly immediately following holidays, when production remains high and the market demand is poor. These are the periods when the producer suffers and when there is a great need to implement a marketing program which would successfully move these flowers into the consumer's hands. Mr. Kintzele felt that it was the producer's responsibility to assist in the marketing of his product, by willingness to subscribe a percentage of his gross income to advertising and promoting the sale of his flowers.

Mr. Carlstedt made it plain that he felt the producer and wholesaler were the industry, but they had failed to assume their rightful leadership. He said they lacked a national organization of their own able to coordinate activities on a national scale and able to assemble the data to do an intelligent job of distribution. Producers needed research on how to assemble data on crop production with particular emphasis on supply at holiday periods. He pointed out that after forecasting the supply and demand, it would be possible to intelligently advertise and promote flower sales during periods of surplus production. Many units of production are shipped to well supplied markets while starved markets are not shipped and frequently two areas of production are shipping into each other's area with benefit only to the carrier.

He was critical of the producer for his lack of interest in consumer sales. Short courses for flower growers center all interest on production and little or none on marketing. Ours is the only industry that takes no interest in consumer sales, nor attempts to expand its markets, while all other industries devote their major efforts to increasing sales and then worry about increasing production to fill a demand. Mr. Carlstedt concluded his remarks by saying that the formation of a national organization of producers and distributors is a basic need in the industry and must be a beginning point for all research.

Mr. Bachman, discussing the retail florist viewpoint, separated the retail florists into three general categories, pointing out that the largest number of

these are small operators who are "one man" shops. Many of these shops want their business to stay small and manageable and are completely satisfied to remain in the small shop classification.

The second category of retailer was the operator who hired from three to twenty-five persons and is the "service" type shop. These shops specialize in weddings, home and club decorations, banquets, etc., and a high labor cost requires a substantial markup to show a profit. These shops use large amounts of flowers at various times, but are not consistently heavy buyers. This group does very little promotional work and in a sense waits for business to develop.

The third group comprises those shops that buy well, are well diversified in their operation, and merchandise and promote the sale of flowers and related products throughout the year. This is the group that wholesalers look to when their coolers are loaded with flowers and this is the group that is promoting the everyday use of flowers. Mr. Bachman said that the third group had the interest of the industry at heart and could be depended upon to move large volumes of flowers if they could be moved at a fair percentage of profit. He posed the questions, however: "How do we sell more flowers?" "Do we lower the price?" "Should we offer a different type of a unit?" "Should flowers be offered for delivery or strictly cash and carry?" "When do we offer specials?" "And what are the best flowers for these specials?" He asked the floricultural economists in their research to provide the answers to these questions, noting that the alert retail florist, eager to move some of these surpluses, and anxious to provide a steadier income for himself, would put their findings to work for the benefit of the industry.

The entire program reflected a high degree of interest in the marketing problems of our industry and there were some excellent papers reporting findings which,

## *The Land Grant Colleges in Floricultural Research*

*By Rex D. Rehnberg<sup>1/</sup>*

Increased attention has been given to the marketing of horticultural and floricultural products by the Land Grant Colleges in recent years. Work is well underway in the eastern half of the United States. The early work at Cornell University has greatly influenced the type of work later initiated by other Eastern Colleges. In 1954 a Western Regional Market-

ing project (WM-24) was activated. The states of California, Colorado, Oregon, Washington and the Territory of Hawaii are each undertaking some phase of the work.

if they are used, can be of immense value to the industry. There is still a great need, as far as I am concerned, for producers to realize that they have more responsibility than just to produce flowers. They need to take an intelligent look at the "big picture" and realize that their investment makes it imperative for them to develop an interest in consumer sales, and to realize that they must invest a portion of their returns in promoting the ultimate sale of their product.

In the immediate offing--effective July 2, 1956--the United States Department of Agriculture begins work on a reporting service for the four major cut flower crops, i.e., roses, carnations, chrysanthemums and gladioli. The following information will be collected on carnations, chrysanthemums and roses:

1. Number of plants in production in the preceding season.
2. The number of flowers sold the previous season.
3. The value of sales the previous season.
4. The number of plants on hand for production for the current season.

For the gladioli, the statistics will include the number of acres harvested in point one and the number of acres planted in point four.

The present schedule on this crop reporting service calls for a report to be released in September, 1956. This means that all growers of these four crops will receive questionnaires from the Department sometime in July and every grower of these crops in Colorado should cooperate with the government by completing the questionnaire and returning it to the Department of Agriculture as promptly as possible. This crop reporting service can be of inestimable value and can be the beginning of the development of the "big picture" which I referred to previously.

This may be an appropriate time to question the contributions that such re-

<sup>1/</sup> Dr. Rehnberg is Head of the Department of Economics, Colorado A and M

search can make to the industry, the type of research industry wants and needs, and the type of research that can be financed with public funds.

If we look at flower growers as an industry there are two major areas in which research may serve the industry. The first involves an investigation of means of increasing the efficiency with which the products are produced and distributed to the ultimate consumer. This includes such items as improving varieties, growing conditions, handling practices, shipping containers, etc. The second is an investigation of the means of increasing the demand for the product (flowers and ornamentals). If successful this would mean that the present output could be sold at a higher price or a larger output at the existing prices.

Research that increases the efficiency with which a product is produced benefits the public in general and is a justifiable use of public (tax raised) funds. Any technological improvement that will make possible the production of a product with less land, labor and capital will release these resources for other uses. It is progress of this type that has made it possi-

ble for residents of the United States to enjoy adequate food and housing and still employ a large part of our labor force in the production of automobiles, television sets, bath tubs, and flowers.

Energy devoted to the promotion of a product does not give the same beneficial results to the public as that devoted to increasing the efficiency of production and marketing. Posters, window displays, radio and television commercials, and slogans require the use of production resources but add nothing to production. They only result in the purchase of a particular product by a consumer who may have purchased another item. Although an individual business may benefit, it is at the expense of another product or another business.

It is interesting to note that both types of research were reported at the workshop sponsored by the Society of American Florists. Both revealed promising results when viewed from the standpoint of the florists. Some of the research will eventually result in net benefits to the general public. Other research will benefit the florists at the expense of other commodity groups.

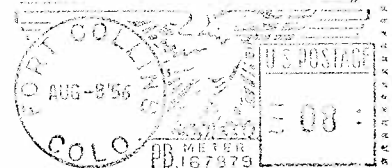
Florists as a group are entitled to their fair share of the public funds appropriated for research work. However, if they are to continue to receive these funds they have a responsibility to assure that the funds will be used in the public interest. This means research of the nature outlined in item one above.

Promotional work has been, and should continue to be, an industry sponsored activity. It should be conceived by industry, sponsored by industry and paid for by the group who stands to benefit.

Only if we distinguish sharply between these two types of activities can the florist industry hope to receive continuing support from public funds for research activities. (Now read it again--Ed.)

*Your editor,  
W. D. Holley*

COLORADO STATE FLOWER GROWERS ASSOCIATION  
OFFICE OF EDITOR *a Mile High Land*  
W. D. HOLLEY  
Colorado A & M College *COLORADO AGRICULTURAL  
AND MECHANICAL COLLEGE*  
Fort Collins, Colorado



FIRST CLASS

Prof. H. Kamemoto  
University of Hawaii  
Honolulu 14, Hawaii