



IN COOPERATION WITH COLORADO A & M

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Marketing Our Growing Production<sup>1/</sup>

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Someone got their signals mixed when they asked an Easterner to talk to a group of Colorado growers about improving marketing. Certainly no group of producers anywhere have done a more outstanding job of marketing than you people here in Colorado. On the other hand something might be accomplished if I can take some of your secrets back with me when I return east. Certainly their markets are chaotic compared with yours.

I have always thought it a good idea for a speaker to introduce himself for he is really the only one completely aware of how little he knows. So permit me to make clear at the outset that I am a neophyte in the flower business. I do not profess to come to you with a lot of revolutionary ideas for I'm quite sure I don't know any more about flower marketing than some of your retailers. In a sense I am in an advantageous position because I have no vested interest to protect from some imaginary danger. In analyzing the ills of an industry objectivity and frankness are prime requisites. In this talk I intend to be as objective and frank as possible. You may not like some of it.

During the past year I have had the pleasure of working with the Society of American Florists and they in turn have provided my education through trade contacts and travel. In a very short time I have become thoroughly intrigued with the flower business. Never have I encountered a business that offers so great an opportunity for productive effort in market development.

My job during the past year has been to formulate a long range research program in the economics of floriculture. So before getting into a discussion of specific problems I want to do two things. First I want to explain the purpose of this program and second I want to take an inventory of stock on hand.

Our idea in formulating a long range research program is that we can better coordinate our efforts in attacking specific problems. To date the approach has been largely hit and miss and many undertakings have not been adequately planned. The purpose of the program is to identify all the important problems needing attention and to devise methods of attack. This should serve to stimulate interest on the part of various segments of the industry and encourage simultaneous study of the many pressing problems in an orderly fashion. It will insure attention being given to the really important problems on a priority basis and at the same time minimize the duplication of effort by research groups interested in the economics of floriculture.

The program is to include problems of growers, wholesalers and retailers alike. Many of the problems which I will identify are of material interest to all three groups while other problems are primarily the concern of some particular groups. While some problems are conflicting in interest we believe that they can be approached by the parties concerned in such a way as to maintain a reasonable degree of harmony in the overall program.

<sup>1/</sup> This is a part of the fine talk presented by Dr. Brunk at the 13th Colorado Short Course. Other parts concerning crop reporting, conditioning, price information, etc. will appear as space permits.

So much for the long range plan. Now I'd like to take stock of where we now stand. I list them exactly as I see them - no holds barred.

#### Liabilities

1. A shortage of factual information and an over-supply of emotional opinion.
2. Much of the so-called economic research sponsored by the industry has centered in areas of vested interest where objectivity is beyond expectation.
3. An ostrich attitude of discouraging research where there is doubt that it will be to the immediate financial advantage of the parties concerned.
4. A tendency of trying to buy your way out of trouble the easy way by hiring some one to do the job for you. For example, much wishful thinking concerning the wonders of almost any kind of advertising, research effort or merchandizing schools.
5. Tendency to subjugate industry-wide welfare to local, special interest welfare.
6. The industry is too big and the stakes too high to condone the many petty jealousies existing among your trade associations.
7. A highly specialized and inflexible marketing system and too great a reliance on the necessity characteristic of your product.

#### Assets

1. A profound interest by most of the industry in problems economic.
2. A good sprinkling of well educated and highly qualified industry leaders willing to sacrifice their own short-time business interests for the welfare of the industry.
3. You have strong, well organized trade associations which would be the envy of any industry.
4. A high degree of member participation in trade schools, short courses and industry meetings.
5. A high degree of individualism healthy in any industry but sometimes carried too far.
6. A growing realization of the necessity of following your product through to the ultimate consumer for the purpose of selling more flowers.

Perhaps my accounting sheet does not exactly balance. Surely it's not entirely correct but there appears to be enough assets to offset the liabilities and at the same time leave some net worth. It does tell us that there is a lot of territory open for fertile, productive effort in the economics of floriculture.

The problems in the economics of floriculture can be classified under three broad headings: (1) market development, (2) physical operating efficiency, (3) statistical services. The problems in each of these areas will be discussed in order. They all have a bearing on marketing our growing production.

#### The Retail Florist

The flower industry has a complete distribution mechanism all it's own from the grower to the retailer. It is one of the smallest industries in our country to claim such a distinction. But without huge volume the maintenance of specialized wholesalers and retailers is a costly operation for which some one must pay. The special handling which has been required of your product is of course responsible for the development of this system. When you compare your business with that of others you might well keep this in mind. Over the years as we find improved methods of handling and packaging we may gradually see the flower distribution system integrated with other products in order to obtain economies of scale but so long as we have the specialized system any program in market development should be designed to take the maximum advantage of market outlets already existent. This leads us first to the problems of the retail florist which I say are paramount.

Today there are far too many retailers attempting to sell the customer what they think the customer should have rather than what the customer wants. I maintain that it is our responsibility to cater to the wants of our customers and that when we do we will reap the benefits.

Whenever I go into a flower shop I get the feeling that a flower shop, bank lobby and funeral parlor have something in common -- and that that something is not compatible with my pocket book. Nevertheless last spring I walked into a shop in Los Angeles. In the middle of the floor was a big display of Haliconia. I asked the price and was told, "those are \$20 a dozen". Now I don't know a thing about flower arrangement but I couldn't

For the life of me figure out how to use a dozen of those huge stalks. And since my mental processes do not permit a quick division of 20 by 12 I'm left a little cold. Before I left that shop some 20 minutes later I overheard the same clerk fruitlessly explain to a customer how the flowers she requested failed to be suitable for her needs. Now while this is an isolated instance I know you are well familiar with similar occurrences. Add them all together and they are serious.

We all recognize the need for improved selling practices. Your organizations often call in selling experts who are capable of extolling all sorts of attractive, glamorous and novel selling ideas which are mostly made to sound good to the merchant. I've tried to find out where these selling ideas come from and apparently most of them come from other lines of business or from someones fertile brain. I wonder how well they fit the retailing of flowers. How much really objective information do we have regarding the effect of certain merchandising practices on consumer acceptance? The industry is now talking about a traveling caravan to tour the country and tell retailers how to merchandise. A nice idea but where pray tell me is the caravan going to get its information? I know of a traveling produce school, paid for with your tax dollars, which gives instruction to grocery clerks. They emphasize the importance of neat, orderly and full displays of produce in spite of the fact that most merchants know and research has repeatedly proved that sales are greatest from somewhat disorderly and partially empty displays. The point I emphasize is that what sound like good sales practice does not always produce results. The only way we can find out what people want is to give them the opportunity of responding to different merchandising practices and products through carefully designed tests so that we can measure the effects of them. Such tests should be run just like field plot tests using retail stores as the medium and customers as guinea pigs. Only when you decide to replace opinion with fact will you find really productive fuel for your merchandising schools.

This little quotation taken from the Home Garden, dated May 1952 tells us why Americans are not flower conscious. "Flower hybridizers, especially those who breed bearded Iris, are a race apart in the commercial world. Unlike manufacturers (which indeed they are) they do not make market surveys to determine public taste nor do they make a conscious effort to cater to it. On the contrary, they set for themselves standards of perfection, strive to attain them and then pass the "fruits" of their efforts on to the public on a "take-it-or-leave-it" basis." That is a truly pathetic statement.

I maintain that our customers are rational human beings. I believe that their wants are an innate part of them and that the struggle of merchandizing is to constantly seek better ways of satisfying those wants. Once a reporter asked a politician "Do you feel that you have influenced public opinion?" and the politician answered, "No, public opinion is something like a mule I once owned. In order to keep up the appearance of being the driver I had to watch the way he was going and follow closely." I dare say that the politician made a greater success than the grower who wrote the statement about Iris. In looking at this problem in marketing I maintain that people are rational beings, that people have certain likes and dislikes, that they have inherent wants and that all we really accomplish either as growers, wholesalers, or retailers, is partial success toward filling those wants. If we distort such wants through our opinions and actions we reduce our market outlet accordingly. We just kid ourselves when we think we create a want in a consumer's mind.

#### Mass Market Outlets

While we must do everything in our power to help the retail florist build and expand his market, we must at the same time recognize the kind of special market being serviced by him. The retail florist is in business today because he is selling services as well as a product that has in the past required special handling because of its perishability. He fails to reach the mass markets where displays for impulse sales and convenience of purchase are prime factors. There appears to be little appreciation by the retail florist that he is reaching only a small part of the potential market for flowers and that the development of mass market outlets may actually serve to stimulate the retail florist business as people learn to use and love flowers for something besides a funeral or a wedding.

The development of mass market outlets is largely a problem in the mechanics of distribution, how to get the product delivered to the store in good condition, in

learning where and how to display the product in the store, how to price it, what size units and what combination of products. We cannot draw upon the experience of the retail florist. We're not servicing the same kind of trade. Market surveys of opinion and attitudes cannot answer these questions for these are problems of innovation.

I sincerely believe that the greatest opportunity in market development lies in getting your product into mass markets where it can more effectively compete for the dollars people spend. In no way, should such markets be regarded as alternative outlets for quite to the contrary, there is good reason to believe that they will prove complimentary to the retail florist business.

This problem of testing mass market outlets was taken to Roses, Inc. this past winter as a part of this long range program and through their support we are now selling roses in food super markets in Syracuse, New York. I have no idea of how successful this experiment will be but I do know that market outlets for short stems need to be developed through some medium if the retail florist doesn't want them. When we are through we will be able to answer a lot of questions on which there is now not much more than opinion. This is not a new idea. Prof. Laurie has already done much along this line. In getting this study underway we have encountered about every type of trouble and resistance imaginable. Retail florists have condemned it before they know whether or not the approach is practicable and before they know what effect it has on their business -- good or bad. We were amazed to find that attempts in some states have been made to pass legislation prohibiting the sale of flowers in food stores while some states now require a special licensing.

In our rose merchandising study we are now offering packages of 4, 9 and 12 roses. The packages of 4 are the most popular although we sell about as many total roses in the packages of 12. The light shades are definitely preferred to the reds but I should point out that three-fourths of our customers are women and that these purchases are apparently for home use. Since most flowers are now purchased to give away we feel that this type of market may well increase the demand for flowers.

I do not want to leave the impression that we have concluded that there is a good market for flowers in food stores. That is what we are trying to find out. It is entirely possible that this idea is impractical from any number of standpoints. But whatever the conclusion the Rose growers will have the satisfaction of knowing that they have given this kind of market a fair test.

There is much to be learned about mass marketing but you will never be able to make the jump by talking about it. It will take a lot of work and study.

Advertising.

There is now a lot of discussion of advertising and in particular, industry-wide advertising. Any program of market development must be concerned with this question but unfortunately scientific methods of measuring the effects of advertising have never been developed. Advertising agencies are the only ones I know of who claim to be able to measure its effects and in these respects there seems to be no end to the wonders it can perform. Now from this don't get the idea that I'm opposed to advertising as a means of market development. I'm merely saying that in deciding whether or not to advertise as individuals or as an industry the decision must be made in the absence of measurement. Therefore we must use other values of appraisal. To a limited extent this can be done by identifying the kind of markets you are servicing and distinguishing between industry-wide and individual firm advertising.

The markets we service can be divided into the necessity market and the luxury market. The necessity market consists of flowers for funerals, weddings and special occasions. In other words flowers you have to buy. The necessity market is determined largely by social customs and mores regardless of ones pocketbook. The luxury market consists of flowers for every day use. In other words, flowers you want to buy. The luxury market depends very largely on the condition of ones pocketbook and his alternative desires for other goods and services.

We cannot expect industry-wide advertising to greatly alter the size of the necessity market which is now by far the largest part of our business for it will not materially affect either the death or marriage rate. The size of the pie will not be effected but the size of the slice of pie any one retailer or any one special flower, like Colorado Carnations, might get may depend very largely on how well they become known through advertising.

But now let's turn to the luxury market which is the undeveloped part of our business. This type of market depends very greatly on impulse sales because in this market there are no social dictates making a trip to the florist essential. Also consider that you retail florist shops are specialized outlets and that about the only possible way you can expect to develop that market is through some type of advertising either as a firm or as an industry. Our advertising must stimulate sales in the luxury market; it must stimulate impulse purchases. Your present marketing system does not get flowers out where people can see them or where people can pick them up conveniently, so you need some media such as advertising to tell people where to get them.

I know that you people here in Colorado have spent a lot of money advertising Colorado carnations and while I'm in no position to estimate how distinctive it has made your product, I will say that the more you can develop your mass market outlets the more you are likely to benefit from your advertising. The first principle in developing an advertising program is to get your product out where people can buy it.

#### Please Omit

Any program in market development should keep one eye on protecting your present market and this brings us to the "Please Omit" problem. For a long time I heard comments concerning the seriousness of this problem but was unable to find statistical evidence except in very scattered pieces. I maintain that you should know the facts. Then you can judge the importance and devise methods of attack. If you don't have the facts, it's your business to get them.

Florists as individuals in attacking this problem will make a lot of mistakes and create a lot of enemies. Organized industry-wide effort such as you are conducting with the Florists Information Council can certainly be more effective but there is a limit to what might be accomplished. Keep in mind that while you are looking at this problem that you had better be spending a lot more effort in finding ways to better satisfy the public in their wants. The graveyard of business is full of those who tried to push their ideas down the public's throat. It's a lot easier to change your product to fit the wants of people than it is to change their wants to fit their ideas regardless of your emotions. F.I.C. is performing a valuable service and doing it well. I am merely saying that greater effort needs to be devoted to positive market development than to efforts of trying to maintain the status quo.

#### Grading Standards

Another very important problem in market development is the need of standardized grades that have meaning. A few years ago we made some price studies comparing flower prices on different markets and the results we got revealed unbelievably wide price differences between markets. I knew even less then than I do now so we published these figures. I now realize that these price differences also included grade differences. Prices which appeared very uniform over a period of time were actually not uniform at all because they were camouflaged by upgrading and downgrading. I found that the same rose in Chicago may be one grade today and another grade tomorrow depending on supply. My face turns red everytime I think of some of the explanations we published in our price study.

Seriously how in the world can you, as growers, interpret the advantages of shipping to alternative markets when you have that kind of grading? How can you compare prices between markets? How do you know what is happening to price except by the proportion of your production that is placed in the various grades over time?

Until the entire industry gets some sort of standard grades accepted you are going to have wide and unnecessary differences in prices between markets. You are also going to experience continued grower suspicion of wholesaler practice because of a lack of standard grades and I might add that that suspicion will probably be well founded.

I fear that if the industry does not voluntarily establish some kind of grading standards that compulsory grading may be resorted to in order to control undesirable wholesale trade practices. Such a cure may be worse than the ill. On the other hand, there is much misunderstanding in your industry about Federal-State grading standards for other products. In practically all instances the grades are permissive, the grading is done by growers or shippers and Federal inspectors are only called upon in cases of dispute and this is voluntary.

I recognize there are many problems in grading and that is why I list this as an area needing research. How to establish standards that growers can apply? How to establish grades that will fit requirements of all varieties? How to include standards of quality that are meaningful to buyers? These are only some of the questions needing answers. But the industry should not assume they can't be answered--they should be carrying on a program to get the answers.

The title of this talk was "Marketing Our Growing Production". This seems a little strange to me for you have a product that sells itself! It sells so well that retailers have been able to use it for selling more and more of their services and, while they have truly developed that market which consists of "flowers you have to buy", they have at the same stroke restricted that market which consists of "flowers you want to buy."

We should not be in the position of worrying about finding ways of marketing our increasing production--we should be worrying about producing enough to supply the latent markets we have never exploited. When you decide to open that door to the American public, you will truly be in business.

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