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MARKETING CUT FLOWERS IN RETAIL FOOD STORES: THE POTENTIAL AND PROFITABILITY IN MASSACHUSETTS*

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Traditionally, flowers have been purchased primarily for special occasions in which case the use of flowers has been influenced to a large degree by custom and habit. The demand for flowers is relatively inelastic for the customary uses such as funerals, weddings, and other special occasions. Most retail florists are set up to provide a number of costly services such as artistic arrangement, credit, delivery, and so forth. Flowers for these traditional uses will probably always be provided by the retail florist shop. However, it may be possible that people will buy flowers for use in the home for ordinary occasions in addition to the special occasions mentioned, if the flowers could be made more readily available and at lower prices. In order to make this possible, it would be necessary to eliminate some or all of the costly services now provided, or take advantage of the economies of scale found in mass outlets.

The purpose of this study was to review current research findings regarding the potential demand for flowers when they were offered for sale without the traditional services in mass market outlets such as supermarkets. In addition, it attempted to ascertain some of the cost comparisons which a flower producer could use for decision making for entering this additional market. Comparisons were made between marketing through wholesale commission houses and packaging for sale direct to supermarket chains.

Results of previous studies provide a great deal of information regarding the demand for flowers in mass markets. Demand elasticity is thought to be relatively greater for the use of flowers in the home than any of the more customary demand areas. Packaging of cut flowers for sale in supermarkets has been found desirable in order to insure freshness. Refrigeration

of the flowers in the supermarket is believed necessary by most researchers.

Seasonality of flower sales seemed to follow rather closely that found in the traditional demand areas even when sold in supermarkets. That is, the spring months showed the greatest volume of sales and the summer months produced the lowest volumes.

The volume of sales for floricultural products varied a great deal in the studies previously reported. The variations in some cases were the result of experimental design to determine the effect of one variable such as package design or price elasticity of demand. These restrictions in themselves influenced the results in terms of sales volume. The average yearly sales of cut flowers over the period 1955-1960 in two Columbus, Ohio supermarkets was \$1,659.29 per store as reported by Sherman and Baker, (1961, pp. 2 and 8). In Massachusetts, Jarvesoo, (1957) reported sales of cut flowers alone of about \$1,350 for the average of five stores in 1956. This would indicate that a relatively unexploited market exists for floricultural products in mass outlets.

The additional costs of packaging flowers for sale in supermarkets must be reflected in the price received by the producer in order to encourage him to assume the packaging function. A case study showed that it is possible to increase gross returns sufficiently to meet the additional costs, at least under the conditions of this case which admittedly was unusual. In this case the cost of packaging and marketing carnations in consumer sized units was 2.33714¢ per flower, compared with a cost per flower of 1.05920¢ in wholesale units. This necessitates a gross return per flower of 1.27794¢ more to the producer in the consumer sized units than the wholesale unit to meet the additional costs. The difference in returns in this case was 1.8649¢ greater in the consumer sized packages than the wholesale unit. Therefore, the returns above additional packaging costs in consumer sized units in this case was .5870¢ per flower. However, the gross return per flower was extremely low in consumer units as compared to average return for carnations sold in wholesale channels. This fact makes it impossible to draw any meaningful conclusions regarding possible

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increased returns due to packaging in consumer units under more normal pricing patterns.

Presently, in the opinion of the author, an attitude of indifference exists between floricultural producers and supermarket buyers. Producers are interested primarily in supplying the traditional flower marketing channels except when oversupply forces prices downward. This attitude may be justified in the sense that the present channels make up between 85 and 90% of the total flower volume. But it ignores the fact of seasonality and continuity of supply which is so very necessary in attempting to sell large volumes of flowers through supermarkets.

Supermarket buyers, on the other hand, seem interested primarily in handling low cost flowers in large volume, and are willing to pay any additional packaging costs. This is reasonable from any management viewpoint, but it ignores the fact that producers or independent packaging firms will not be encouraged to package flowers if the returns from packaged consumer units are only equal to the wholesale market value of the flowers plus actual packaging costs. It is much easier for producers to continue to market through traditional outlets unless his net returns can be increased.

Both attitudes are understandable in the short run. The question that must be answered is in terms of the long run. If floricultural production continues to increase in the future and the traditional demand increases at a lower rate, then the greater portion of the increase must move through alternative or new market channels if total revenue is to increase. Viewed in these terms, it would seem necessary for both producers and supermarket buyers to investigate methods of reducing costs in order to make genuine progress in expanding the demand for floricultural products, or increase demand by improving merchandising methods.

In the opinion of the author there are several implications to be considered for future investigation of marketing floricultural products in mass outlets.

It would seem necessary to determine alternative production functions and cost analyses for the pro-

duction of lower cost flowers for sale in mass outlets. Much speculation has been made in regard to the possibilities of lower cost flowers by means of such cultural modifications as closer plant spacing in benches, shorter growing schedules, and so forth. Presently this possibility is only speculation in the author's opinion. Opportunities for actual determination of the feasibility of this hypothesis should be investigated.

At the same time, it should be pointed out to the management of mass outlets that under present conditions it is unreasonable to expect producers to supply consumer units of adequate quantities of flowers (7 to 10 blooms) in the \$.30 to .50 price range. Many mass outlets are convinced, in the author's opinion, that floricultural products can only be sold in large volume at a price substantially below \$1.00 per unit. This conviction is a fallacy, in the author's opinion, based on studies reported here and the experiences of several individuals selling in mass outlets.

Studies reported and cases described would seem to indicate that greater selling and promotional efforts should be exerted in the sale of flowers in mass outlets. It has been felt by many in the floricultural industry that merely offering flowers for sale in high traffic locations would result in large increases in the volume sold. This does not seem to be the case, and would suggest that extra efforts are necessary in terms of promotion and education in order to substantially increase sales volumes. Presently, it seems that merchandising of flowers is rather poor in relation to most other commodities. In many cases, flowers are merely displayed in buckets on the floor. Improved merchandising is necessary to increase the volume of sales of flowers in mass outlets. Greater efforts should be made in educating the general public in the various uses of flowers in the home. Sample arrangements should be displayed in the flower department to show customers what can be done with the units on sale. Suggestions on care of the flowers in the home should be provided as well as ideas for effective use.

Many problems exist in developing the sale of flowers in mass outlets. Some of these such as display facilities, packaging, pricing policies, etc. have been investigated and initial trials have shown the possibilities which appear to exist. In the author's opinion, a reasonable beginning has been made over the last ten years. Additional work must be carried out in the future, which will make possible the attainment of what appears to be a very great potential.

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