

STABY - OSU

of foliage in the houseplant boom of the early 1970s. Kroger's first floral fixtures were 10- by 6-foot stands holding small plants and accessories. For holidays, the stores added seasonal potted blooming plants.

The first full-time floral shop, offering foliage and potted blooming plants; fresh-cut, dried and silk flowers; and floral accessories, didn't open until January 1979. Then Kroger took off.

"We didn't rush into it," Tillman said. "We did one floral shop right, then two, then three. We put our quality program into place before we made the big commitment."

Kroger's biggest advantage in the floral business is its extensive produce network, comprising 11 main buying offices from California to Florida that handle procurement of fresh fruits and vegetables for the chain's more than 1200 stores across the nation. Seven of the offices are directly involved in floral purchases.

As its business grows, the chain hopes to rely heavily on local greenhouses as well as more distant growing areas for potted blooming plants, fresh-cut flowers and foliage plants.

"We see the need to go out and develop local growers to supply our growing needs," Tillman said. "We need to develop relationships as our business grows. We can't just go to a small local grower and say we need 100,000 pots of six-inch mums and we need them now."

"Procurement is really a key to our success," said Glaude Moldenhauer, Kroger's director of produce sales and procurement, who also is based in Cincinnati. "We have the ability to obtain a wide variety of product from all areas of the country using a combination of imported, domestic and local sources to meet our merchandising requirements."

Kroger figures prices in its floral shops are an average 20 to 25 percent lower than most local florists charge. The produce executives say prices are set to generate the best inventory turnover at the best profit margin, but at the same time be quite competitive with both flower shops and other general-merchandise retailers.

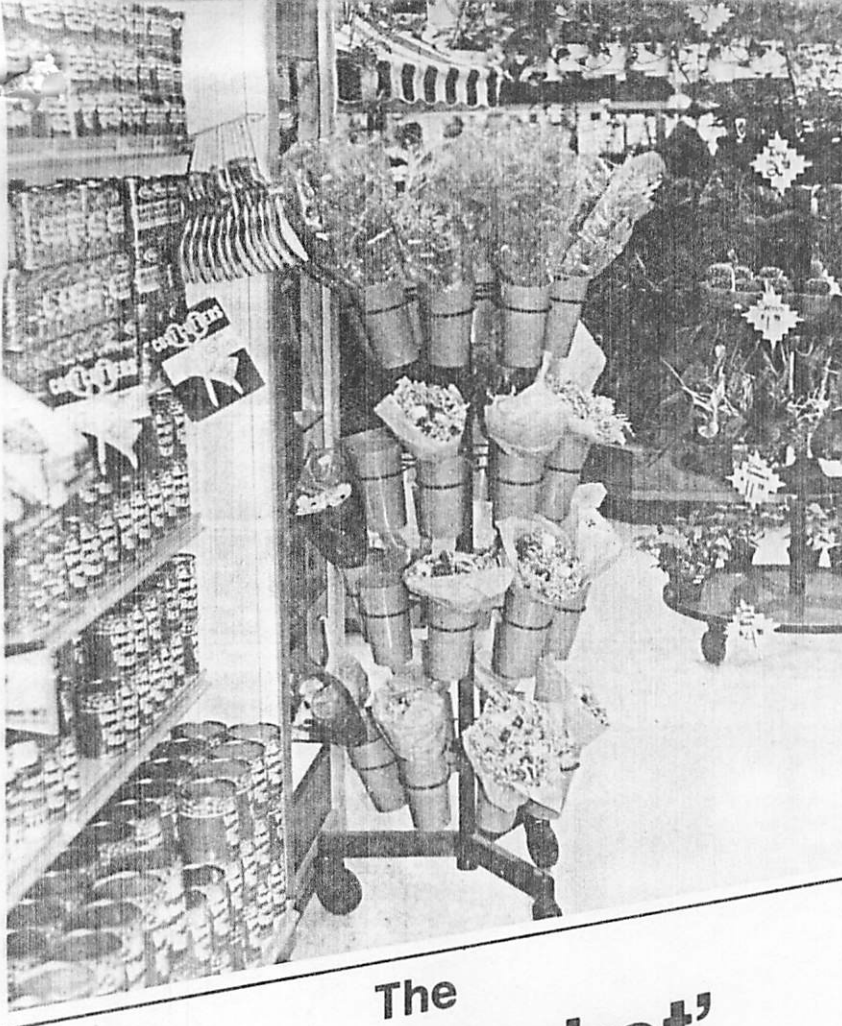
"We price so it turns," Moldenhauer says. "The idea is to build demand for a fresh product displayed attractively."

Kroger's floral shops, located in stores' produce departments, are designed with the same principle as the displays for pears and potatoes: so there appears to be more of the product than there actually is. That theme creates an impression of bounty and also ensures quick turn of fresh products.

A special canopied cart is used for fresh-cut flowers; large hanging baskets are displayed from a specially designed overhead canopy; potted blooming plants are arranged on tiered fixtures.

Each floral shop is staffed by at least one attendant trained in ordering, caring for and arranging the products. Before key holidays, six to eight people may be at work in the floral shop, helping customers select and arrange their purchases.

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The 'Mass Market'

In 1981 alone, Kroger plans to nearly double its full-line florist shops — to 450.

By Jane Brazes

When Kroger Co. planted the seeds of its foliage and floral business in the early 1970s, it wasn't counting on the flourishing trade that has cropped up since.

But sales are blooming in the 260-plus Kroger stores that now have full-line floral shops. And the more grocery shoppers stop for a bunch or a pot, the greater will be the Cincinnati-based retailer's demand for flowers and foliage from growers across the country.

"It's surpassed our expectations," said Richard Tillman, director of produce and floral merchandising at the home office of the nation's second largest grocery chain. "Since 1977, we've tripled floral sales. We'll do as much business this Mother's Day as we did in all of 1975."

In 1981 alone, Kroger plans to nearly double the number of full-line floral shops in its large "superstores," to 450. By New Year's Day 1983, Kroger expects to have floral installations in 650 stores — half the chain's total.

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Southern Florist & Nurseryman, April 17, 1981

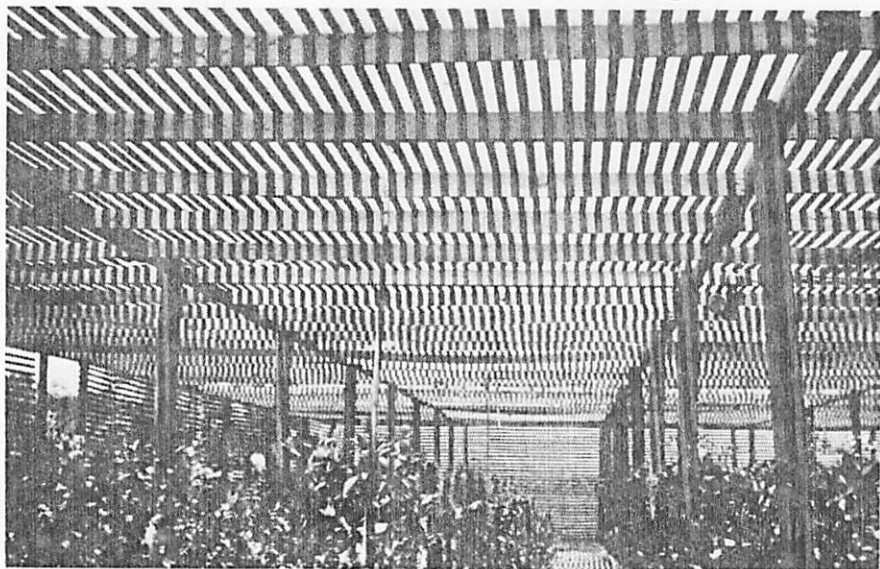
In the Kroger stores that contain floral shops, most of which take up about 800 square feet of floor space, flowers and foliage account for about 1 percent of total store sales. Before holidays, poinsettias, lilies and other seasonal standbys may boost the shops' contributions as high as 4 percent of total store sales.

And floral shop items, like other non-food products in Kroger's 40,000-plus square-foot superstores, carry bigger profit margins than traditional "penny profit" shelf goods.

Kroger's entry into the floral business was spurred by the same management strategy that led to the superstore concept: Provide one-stop shopping opportunities for the ever-busier public, depending on high volume to make profits out of prices attractive to the consumer. Kroger superstores also contain delicatessens, bakeries and seafood shops as well as well-stocked cosmetics centers and expanded non-food space.

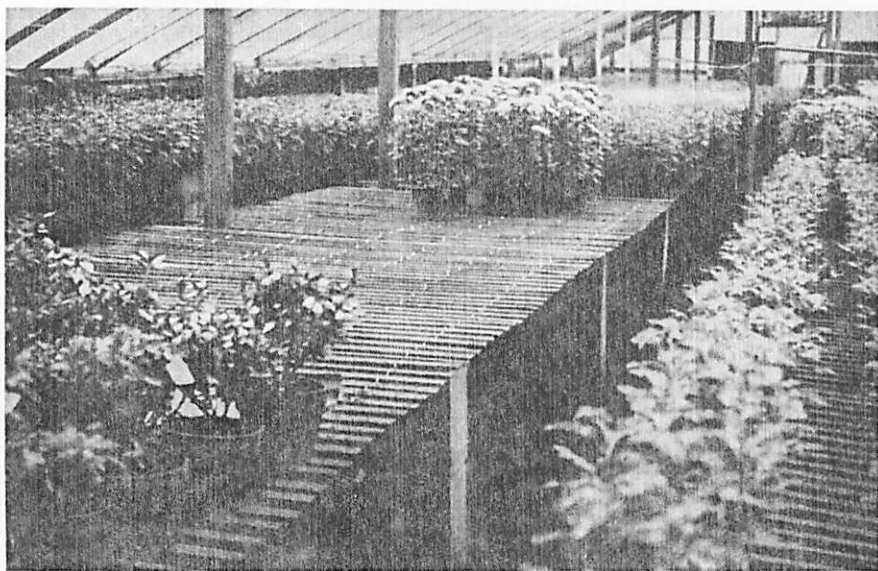
Like many smaller retailers — both grocery and general-merchandise — Kroger started offering a limited selection

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Although the floral attendants aren't professional florists, "each is very good with customers, and all receive comprehensive training in all phases of the department's operation," Tillman says.

Kroger says most of its floral sales are impulse. Most Kroger customers who buy flowers do so probably because the blossoms catch their eyes on the way to the bread rack, the executives theorize.

"The bulk of our sales are simply a result of the tremendous number of people who walk through our stores," Tillman said. "Fresh-cut flowers and blooming plants are great impulse purchases."

Because Kroger counts on volume business for floral profitability, the chain doesn't plan to turn the departments into full-service operations providing floral designs for special events. Attendants do, however, design arrangements of fresh-cut flowers in the store according to customers' specifications.

A few individual shops have worked on weddings for some customers.

However, "with a wedding, you're spending a tremendous amount of time with one customer," Moldenhauer said. "Our primary purpose is to serve the large number of customers who shop our stores each and every week."

Customer preference for plants and flowers is quite similar across the country, the executives say. Kroger floral shops from region to region carry much the same selection.

"We may find there's more difference as we get more sophisticated," Moldenhauer says. "And we'll respond to those differences as we see them."

Fresh-cut flowers provide the biggest potential growth market in all the shops, Tillman said. Although foliage sales have continued strong, demand has just about peaked, he said.

"Plants do last," he said. "But fresh-cut and blooming plants are just like heads of lettuce—they don't. That's the area for obvious growth and repeat sales."

Through its extensive market research program, Kroger has found a floral department tends to boost the appeal of the whole store. (The chain doesn't try to pinpoint what varieties it should stock—"By the time we found out wandering Jews were better than ferns, customers would have decided baby's breath is better," Moldenhauer says.)

In some of its 130,000 customer interviews conducted last year, Kroger asked how shoppers viewed its produce departments. Interviewers found produce departments that contained floral shops scored better on product quality and variety than produce departments limited to fruits and vegetables.

Store managers, too, seem to like the floral additions.

"Our (managers') comments on floral have been unanimously positive," Moldenhauer says. "Our top management is committed to the idea, and that's helped move us forward in a very aggressive manner."