

Floral Retailer Competition Varies Across the Country

By: Doreen Zavada, The NPD Group

Floral retailers are having a difficult time holding onto their customer base. The proportion of US households making floral purchases has been slipping for the past two years. In order to grow sales or just stay even then, retailers in today's environment must steal customers from other retailers. Competition for each floral purchase has become more intense.

Competitor strength (or development) differs across the country. The magnitude of threat from a particular type of retailer is greater in some parts of the country than in others. To gain this insight, information available in the American Floral Endowment's Consumer Tracking Study is being shared here. The study permits us to view the importance of each major type of floral retailer in each of the nine US census regions (see appendix at end of article for regional definitions).

The Consumer Tracking Study shows that Home Centers (Home Improvement/Hardware Stores) take three times as many of the floral purchases made in the Pacific as they do in the West North Central region of the U.S. Supermarkets are twice as significant a competitor for floral product purchases in the New England and Mountain regions as in the East South Central (see Fig. 1 below):

Fig. 1

	Percent of Purchase Occasions by Region								
	1999								
	Census Regions								
	New England	Mid-Atlantic	E. South Central	South Atlantic	E. North Central	W. North Central	W. South Central	Mountain	Pacific
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Florist Shops	10	18	13	12	15	12	13	13	11
Supermarkets	38	24	17	22	26	22	20	33	26
Street Vendors	2	3	*	3	*	*	*	*	2
Garden Centers	18	18	12	14	18	19	15	11	14
Discount Chains	9	8	22	15	16	24	23	17	11
Home Centers	7	6	14	14	6	5	12	11	15
Farmer's Mkt.	2	4	3	2	2	1	1	*	4
Department Strs.	5	3	4	5	5	4	5	4	4
Drug Stores	*	*	*	*	*	1	*	1	3
Craft/Art Special	2	3	4	4	3	4	3	3	2
Other Outlets	7	13	10	8	8	7	7	5	8



* = Less than 1%



Also, as shown in the table above, Discount Chains are a strong force in the market in the West and East Central regions while they are less of a competitor to contend within the Northeastern States (Mid-Atlantic & New England regions). Drug Stores compete in this market virtually only in the Pacific region. While not a dominant channel in any of the regions, Craft/Art Specialty stores hold about twice the share of floral purchases in the central regions as they do in the coastal regions.



Of course, in order to understand and meet competitive threats, retailers must become aware of which competitors are winning the battle and gaining market share. The following table

identifies the outlet types outperforming, keeping pace with or lagging the market in each of the nine census regions over this past year (see Fig.2 below):

Fig. 2

Share Point Change of Purchase Occasions 1998									
	Census Regions								
	New	Mid-	E. South	South	E. North	W. North	W. South		
	England	Atlantic	Central	Atlantic	Central	Central	Central	Mountain	Pacific
Florist Shops	-4	-1	-5	n/c	-1	-2	n/c	n/c	-2
Garden Centers	1	1	n/c	n/c	n/c	1	n/c	-2	1
Street Vendors	1	n/c	n/c	1	n/c	-1	n/c	-2	1
Craft/Art Special.	n/c	n/c	n/c	n/c	n/c	1	n/c	1	n/c
Department Strs.	n/c	-1	-1	-2	n/c	n/c	n/c	n/c	n/c
Discount Chains	3	n/c	1	-1	n/c	n/c	n/c	1	-1
Drug Stores	n/c	n/c	n/c	n/c	n/c	n/c	n/c	n/c	n/c
Home Centers	1	-1	4	1	1	n/c	1	n/c	1
Supermarkets	-2	1	2	2	n/c	-1	n/c	2	n/c
Other Outlets	1	n/c	n/c	n/c	n/c	1	n/c	n/c	1

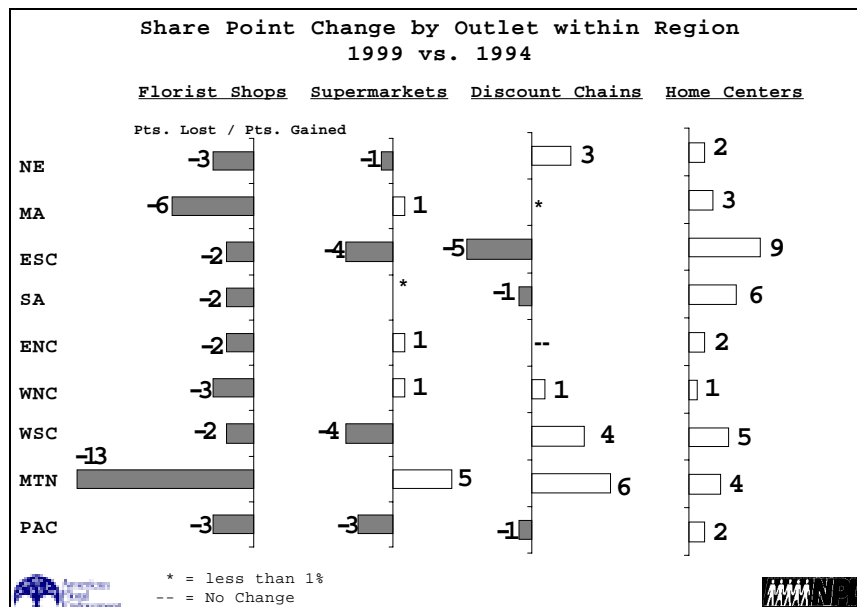
Columns may not add to 0 due to rounding

Florist Shops lost ground this past year particularly in the East South Central, New England and West North Central areas of the country. As Florist Shops' lost share points in New England and the West North Central, Discount Chains gained share standing in these same regions. In the East South Central, share gains were recognized by Home Centers.

Although a change made to the questionnaire in 1998 restricts our ability to compare against the position of some outlet types in earlier years, a longer-term look at the trend in outlet performance is available for the places shown in the following charts. The chart shows the change in share standing in 1999 versus that held five years ago, in 1994 (see Fig. 3 below):

Fig. 3



Florist Shops have struggled competitively across the country. As depicted in figure 3, share losses have been especially heavy in the Mid-Atlantic and Mountain regions. In the Mid-Atlantic, outlets other than those shown also gained position in the market as Florists lost ground.

Home Centers increased in importance to this market across all regions over this five-year period. They became a much more significant competitor particularly in the East South Central, South Atlantic and West South Central regions, where they picked up five or more share points from positions held in 1994.

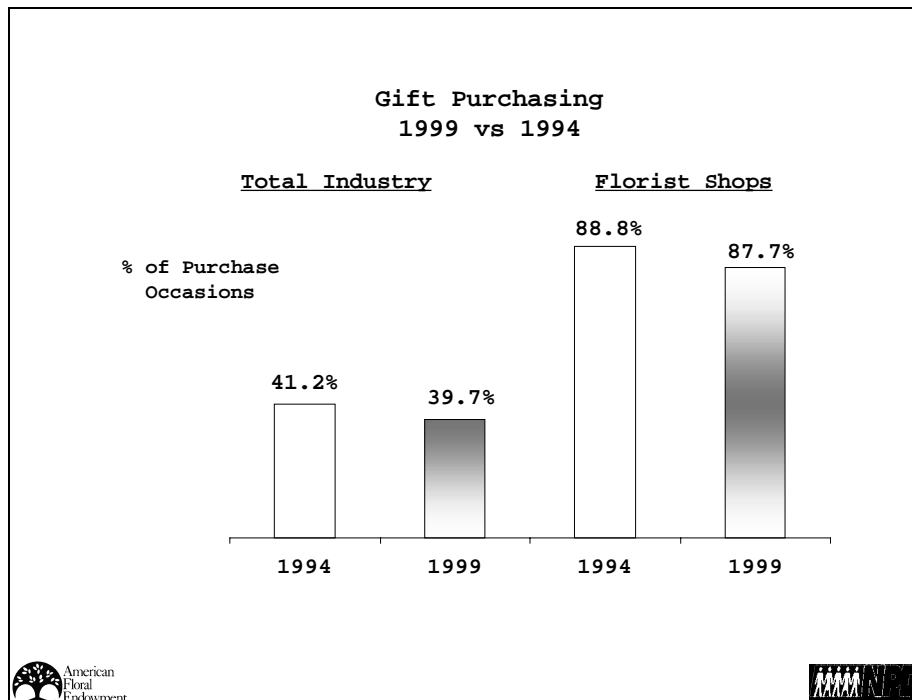
The performance of Supermarkets was mixed. They fared relatively well in the Mountain and Pacific regions (gaining share points as Florist Shops lost them) but lost position in the West South Central (to Discount Chains and Home Centers) and East South Central (to Home Centers).

Changes in availability influence trends in outlet importance. For example, the rapid unit expansion of Home Centers has undoubtedly driven the share gains seen. Store closures or consolidation may be part of what is driving the share losses noted for Florist Shops. Other factors may also be having an effect on the shifts noted in shares by outlet type, for example:

- the lower price position of the mass merchandisers,
- their chain supported advertising clout,
- the convenience of their locations, etc.

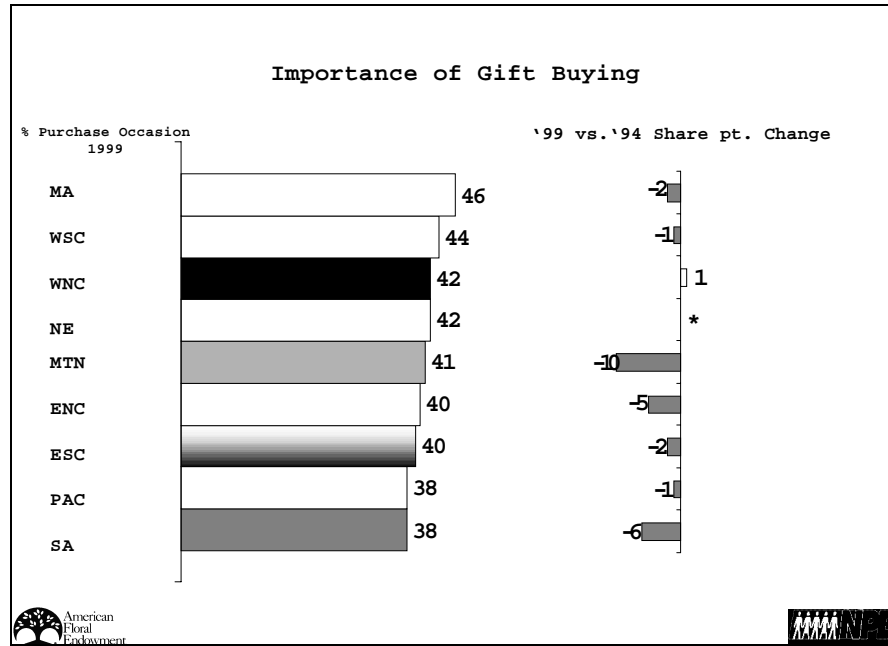
There is yet another factor, which may be contributing to the vulnerability of Florist Shops. It is the soft trend in floral Gift buying and the heavy dependence of Florist Shops on Gift intended purchasing (see Fig. 4 below).

Fig. 4



Gift buying has not kept pace with overall floral buying trends (see Fig. 5 below). Gift intended purchases have declined in importance to the industry in seven of the nine census regions. Florist Shops may feel the effect of this more than others due to the proportion of their business coming from Gift occasions.

Fig. 5



In summary, the shape of retailer competition varies across the nation. Retailers must be aware of the relatively strong position of Discount Chains in the West North Central, West South Central and East South Central regions of the US. The effort of Supermarkets to market floral products has netted them a full third of the market in New England and the Mountain region. Home Centers have become significant competition for floral product purchases especially in the South and Pacific.

Outlet types faring best over the past five years are channels

- that expanded their number of units,
- with relatively low price points,
- having location convenience and perhaps,
- with some chain supported advertising to attract customers.

Florist Shops appear to have been most vulnerable to these "competitive advantages", and also to the changes noted in consumers' floral buying behavior.

Keeping abreast of the changes taking place enables the individual retailer to arm him/herself against the shifts occurring in the competitive structure of this market.

Appendix:

<u>Region</u>	<u>State</u>
<i>East North Central</i>	– Illinois, Indiana, Michigan, Ohio & Wisconsin
<i>East South Central</i>	– Alabama, Kentucky, Mississippi & Tennessee
<i>West North Central</i>	– Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota & South Dakota
<i>West South Central</i>	– Arkansas, Louisiana, Oklahoma & Texas
<i>Mid-Atlantic</i>	– New Jersey, New York & Pennsylvania
<i>Mountain</i>	– Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah & Wyoming
<i>New England</i>	– Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island & Vermont
<i>Pacific</i>	– California, Oregon & Washington
<i>South Atlantic</i>	– Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia & Washington D.C.

