

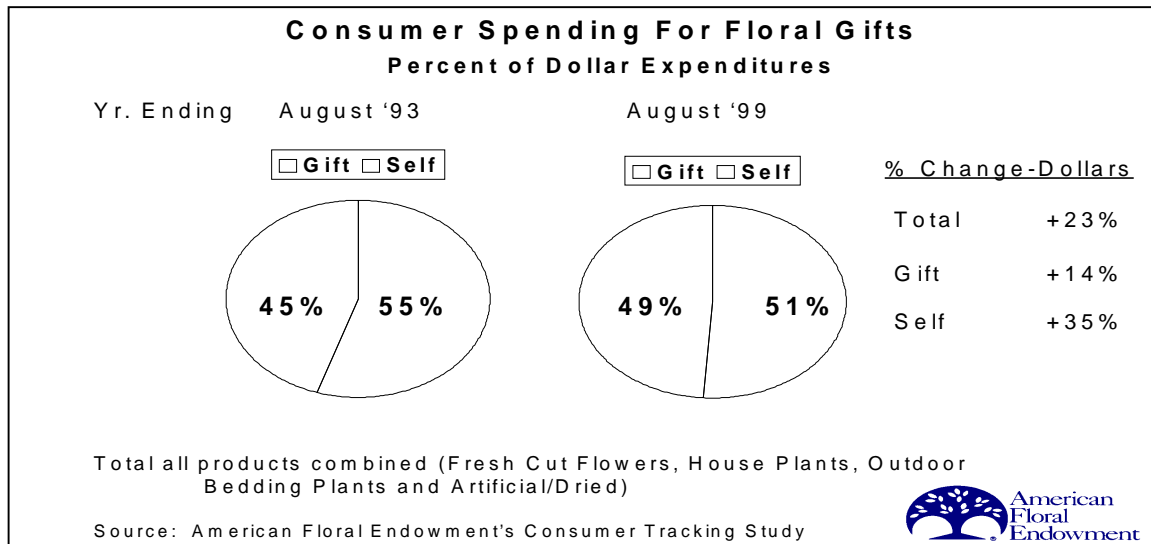
Floral Gift Market

Market to leverage sales

Where should a retailer's marketing emphasis be -- against consumer purchases intended as Gifts or buying for Self? The significance of the Gift portion of the business is seen immediately when comparing what consumers are willing to spend for Gifts to the amount they spend for other purchases. Considering all types of outlets, the return to the retailer is nearly twice as great on a Gift intended purchase as on all others -- it is three times greater when the gift is fresh cut flowers. That's leverage.

Opportunity lost

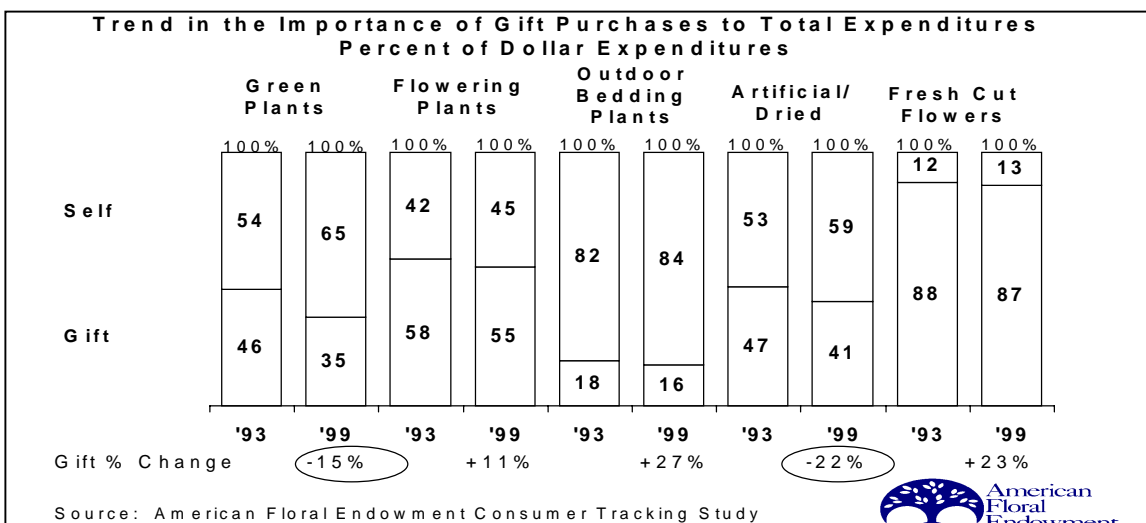
Protecting this portion of the business, then, needs to be a priority for retailers. Further, giving attention to this area of revenue generation takes on particular importance NOW -- when recent industry information shows that Gift buying is lagging the market's trend overall. Seven years ago, consumer spending for floral Gifts (all types - bedding, houseplants, as well as fresh cuts) accounted for 55% of all dollars spent by consumers for floral products. Today (crop year ending August '99), spending for floral Gifts supports a lower 51%.



More dollars were spent on floral Gifts over this time span but the rate of growth in spending did not keep pace with the increase in total expenditures -- it is an opportunity loss.

Where did the loss occur?

The weakest Gift spending trends were in foliage plants (green houseplants) and artificial/dried flowers. Spending actually declined. The major cause was that less was spent for each Gift purchase. While spending increased for flowering plant and outdoor/bedding plant Gifts, it increased only half as much as spending for Self. It is these products in particular, then, that need shoring up as considered Gifts.



Fresh Cut Flowers have fared relatively better than others.

Fresh Cut Flower Gift buying has fared relatively well. While not quite keeping pace with buying for Self, both portions of this market (Self and Gift) enjoyed double digit rates of increase in consumer expenditures over this seven-year time period -- up roughly 25%. In the middle 90's, roses supported the boost in Gift buying while in the past couple of years, strength has been noted with "other" single cuts.

Focus on the largest opportunity

Clearly, fresh cut flowers dominate the Gift market and offer the greatest sales opportunity -- accounting for 64% of floral Gift expenditures. Further, buying was not driven by reduced prices as consumers have been spending more for each Gift purchase over time.

Segment Shares of Gift Market

Yr. Ending August:	% Purchase Transactions		% Dollar Expenditures	
	'93	'99	'93	'99
Fresh Cut Flowers	49% ←	48%	59%	→ 64%
Flowering Plants	17	16	14	13
Green Plants	6	5	6	4
Bedding Plants	15 →	18	10	11
Artificial/Dried	13	13	11	8
	100%	100%	100%	100%

Source: American Floral Endowment Consumer Tracking Study

A source for growth

Notice the increase in importance of outdoor/bedding plants to the Gift market (from 15% of the Gift transactions seven years ago to 18% today – that is a larger share of Gift

transactions than that held by flowering plants). Retailers who have not traditionally made this product available to their customers may wish to consider doing so during planting seasons of the year (Mother's Day). The opportunity for sale of them is growing.

Competition from non-traditional sources

Non-traditional floral retailers are making in-roads to the Gift market. Florist Shops, which still retain the highest share of floral Gift purchase occasions, have lost position in this market (now 30%, down from 35% of all floral gift purchase occasions seven years ago). The close number two competitor, Supermarkets, has neither captured more nor lost share position in the Gift market (holding 28% of all occasions). Discount Chains and Home Improvement/Hardware Stores, on the other hand, have picked up share points lost by Florist Shops. Combined, these two mass merchandisers now hold 14% of all floral Gift occasions, up from 10% seven years ago. Specialty retailers would be wise to monitor the entrance of these retailers into markets in which they operate.

Outlet Type Shares of Gift Market

Year Ending August:	<u>Gift Occasions</u>		<u>Dollars Spent</u>	
	<u>'93</u>	<u>'99</u>	<u>'93</u>	<u>'99</u>
Florist Shop	35% ←	30%	59% ←	54%
Supermarkets	28	28	14	14
Street Vendor	3	2	2	1
Department Store	3	4	2	2
Garden Centers	9	8	8	9
Discount Chains	8 →	10	3	4
Home Improvement/Hdwr. Strs.	2 →	4	1	2
All other places	<u>12</u>	<u>14</u>	<u>11</u>	<u>14</u>
Total	100%	100%	100%	100%

Source: American Floral Endowment Consumer Tracking Study



One recipient group in particular needs attention

There has been a steady decline in the share of Gift purchases intended for friend/personal acquaintance (21% of the transactions in '93 down to 16% in '99). There is need to find ways to re-stimulate consumer interest in Gift giving to this recipient group.

The challenge and the opportunity

With these trends in place, today's retailers are challenged to bolster consumers' floral Gift buying -- and the shape of that challenge differs for each outlet type. For example, consumers are

- showing less interest in floral Gifts for friends/acquaintances (an issue for all retailers),

- increasingly giving outdoor bedding plants as Gifts (an issue for Florists and perhaps some Supermarkets),
- taking advantage of the increased availability of mass merchandisers as sources for floral Gifts (a threat to Garden Centers and indirectly to all other retailers).

---- Further, consumers today have more choices and means to select and send alternative types of gifts (internet, 1-800 shopping, FedEx., etc.) than they once had.

As is the case in many industries today, the shape of competition and the way consumers think about their purchase options is one of change/evolution. Keeping up with these changes and adapting to them is becoming necessary for long-term success in this marketplace, just as it is in many others.

Definition of Measures

Dollar Expenditures: Dollar amount spent by consumers for floral products purchased

Transactions: The number of times different items were purchased by consumers (buying carnations and a green plant at a given outlet one day is two transactions).

Occasions: The number of times consumers made a floral purchase – could be one or several items purchased at one time (buying carnations and a green plant in a given outlet one day is one occasion).