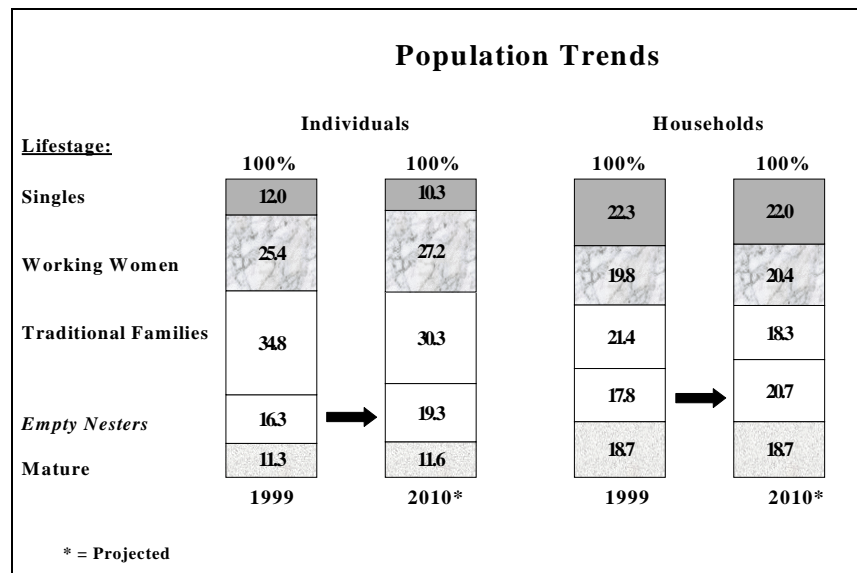


Looking Ahead

We're all aware that our population is getting older, but are we as aware of how this shift in the population will affect the floral business? Will demand for floral products grow as a result of the aging of the population? Will some product segments fare better than others? How should retailers / wholesalers / growers plan for the future?

To gain some insight to what's ahead, information from AFE's consumer tracking study was accessed and used along with forecasts of the population by various lifestages to the year 2010.

As a first look, the table below identifies the change that will occur in the composition of our population by the year 2010. There will be fewer Traditional Families (one spouse working households with kids) and many more Empty Nester households, also more Working Women.



In 1996, the first Baby Boomers turned 50 years old. They are now middle aged and moving into the next stage of life as their children leave home to start their own lives and families. This new lifestage is termed Empty Nesters and it's the large group of Baby Boomers who are the source for this growing, affluent lifestage.

To help us understand how the population shift will influence demand for floral products in the future, we crossed floral buying with household lifestage classifications. The following table shows the value of each lifestage to the industry. It identifies the share of floral purchase transactions each group contributed in 1999. The lifestage with the highest propensity to purchase floral products is -- the Empty Nester! This group

accounted for 18% of all households, but a higher 25% of all transactions in 1999. This certainly augers well for the industry as Empty Nester's growth in the population should support increased buying of floral products.

Lifestage Group Value to Floral Industry - 1999

<u>Lifestage:</u>	Purchase Transactions	HH Population	Buying Rate Index*
	100%	100%	
Singles	168	223	75
Working Women	169	198	85
Traditional Families	211	214	99
<i>Empty Nesters</i>	251	178	141
Mature	201	187	107

* Buying Rate Index = % Transactions / % Population

But, will all product segments and all distribution channels fare equally as well? To determine this we viewed the value of each lifestage group to each product segment and each outlet type. Differences in buying rates are shown here:

Product Segment Buying Rates by Lifestage - 1999

Heavy Buyer Index*

<u>Lifestage:</u>	Fresh Cut Flowers	Flowering Hse. Plants	Green Plants	Outdoor/ Bed. Plants	Artificial Dried
Singles	92	86	101	56	78
Working Women	89	71	94	81	89
Traditional Families	83	87	80	108	88
<i>Empty Nesters</i>	149	140	146	144	131
Mature	94	124	83	121	121

* Buying Rate Index = % Transactions / % Population

It's good news. The heaviest buyers of each of the product segments are Empty Nesters. All segments, then, will benefit from the increase in the size of this group by the year 2010.

Outlet Type Buying Rates by Lifestage - 1999

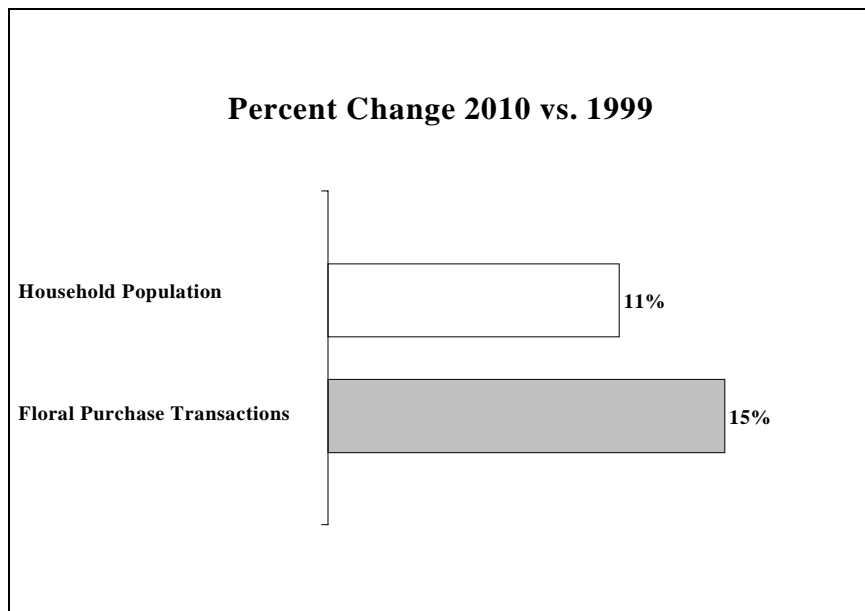
<u>Lifestage:</u>	Heavy Buyer Index*					
	<u>Florist Shops</u>	<u>Super-Markets</u>	<u>Garden Centers</u>	<u>Discount Chains</u>	<u>Home Centers</u>	<u>All Other</u>
Singles	84	79	72	59	60	87
Working Women	89	80	74	72	95	89
Traditional Families	85	78	77	117	101	93
<i>Empty Nesters</i>	152	146	153	138	146	134
Mature	99	128	138	123	110	103

* Buying Rate Index = % Occasions / % Population

Somewhat the same pattern is seen when viewing the contribution of each lifestage to purchase occasions by outlet. Again, Empty Nesters come out ahead of all others, they are the most frequent customers regardless of outlet type.

Some differences are noted in the strength or weakness in buying propensity by lifestage for both product segments and outlets, but the important finding is that Empty Nesters are the heaviest buyers of floral products and they will be a driving force in population trends out to the year 2010.

Because of this, the floral market has the opportunity to enjoy growth that exceeds simple population increases. Using the information available and assuming that the current buying rates will hold true in the years ahead, the following trend is suggested:



The number of floral product purchase transactions have the opportunity to grow 15% by 2010 -- a third more volume than offered with population increases. This occurs because the floral industry is well positioned with the group of the population growing the most: Empty Nesters.

Conclusion

Being able to anticipate change is the first step to having control over it. Had there been more notable differences in the buying rates by product segment or outlet, the composition of the market may have changed by the year 2010. That would have meant that retailers / wholesalers would be required to give thought to changing their mix of offerings, prepare to offer products expected to grow in demand, have a strong position with products in channels expected to fare best, etc. As it turns out, the heavy buyer of one segment / outlet is quite similar to those of another -- when comparing buying behavior by lifestage. The population trends, then, are expected to have a similar impact on all segments and outlets in the floral industry. The market's composition will be much the same as seen currently, with demand driven largely by the increasing number of Empty Nester households. By the year 2010, there will be over 20 million more U.S. citizens ages 45-64. Cultivating loyalty of this customer group will be one means of insuring that a given retailer or supplier receives at least his / her fair share of the anticipated market growth over this time span. It's planning of this nature that will keep the savvy retailer / wholesaler a step ahead of competition.