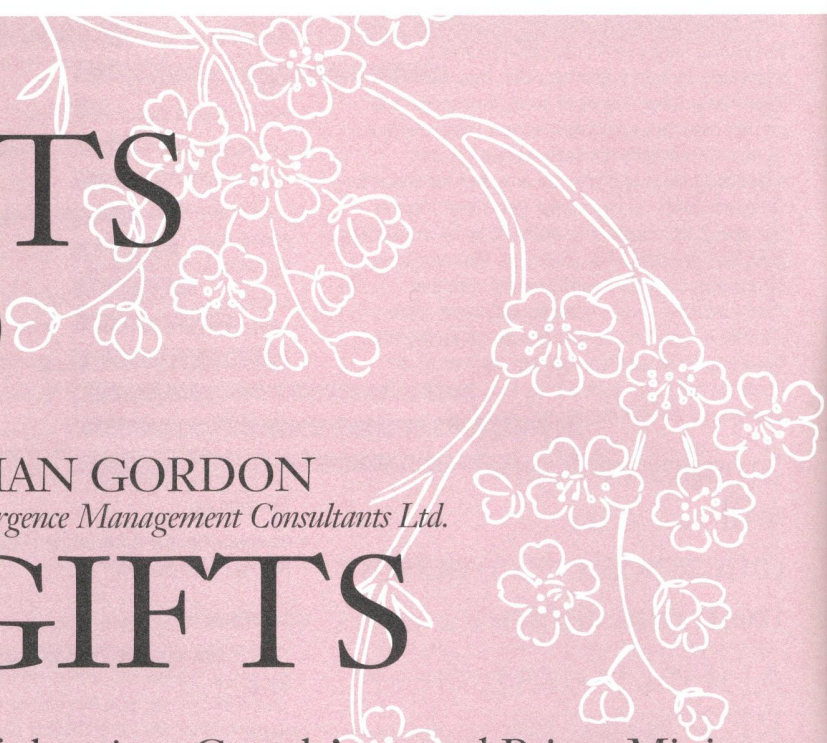


# FLORISTS COULD SAY IT WITH GIFTS



BY IAN GORDON  
*Convergence Management Consultants Ltd.*

In 1877, just ten years after Confederation, Canada's second Prime Minister was Alexander Mackenzie, the Canadian dollar was worth more than the US dollar, and the Federal budget was about \$25 million.

**I**n that year, a gardener and grower called Stephen Tidy opened a retail florist business called S. Tidy and Sons Limited on King Street West, the site of today's Toronto Dominion Centre in downtown Toronto. The store was one of the first florists in Ontario. The business was a family one, with some members of family opening greenhouses and others delivering flowers by bicycle and then by van. Today, 130 years later, the company remains an independent, family-owned business.<sup>13</sup>

The history of Tidy's Flowers illustrates the continued viability of the independent florist retailer in this sector. Many independents have developed enduring businesses based in part on servicing local clientele, focusing on specific market segments such as corporate customers (which Tidy's has done), and becoming part of an order and delivery network enabled by wire services, as will be discussed shortly.

## RETAIL FLORISTS

Flowers are given more than any other gift to tell the recipient that he or she matters. Flowers are considered the best "I love you" gift, and the gift most people give to say they are sorry.<sup>14</sup> In 2006, retail sales of flowers and plants in Canada were about \$1.2 billion.<sup>15</sup> Of this, mass market chain stores sold \$307 million, up 46% from sales in 2001. Canadian retail florists had sales of \$176 million, an increase of 13% from sales in 2001 and independent retail operators including roadside vendors had sales of \$321 million, up 34% from five years previously. Chart 1 provides detail.

Flower arrangements likely account for about half of industry revenue.<sup>16</sup> In addition to selling cut flowers and plants, many stores may also sell complementary products such as gifts, vases and artificial flowers.

## INDUSTRY STRUCTURE

Retail florists buy their flowers and plants from auctions, wholesalers and importers and sales of these goods are fragmented among many categories of industry participants. Flowers and plants are sold by roadside stands, corner stores, retail florists, supermarkets, mass merchandisers including Wal-Mart and big-box hardware stores such as The Home Depot. Large scale retailers such as supermarkets and mass-merchandisers have been successful in increasing the frequency of consumer purchase of flowers and plants, and their market share has grown at the expense of florists. Roadside stands, corner stores and supermarkets provide for impulse consumer purchases. Florists supply much of the non-impulse consumer demand for floral arrangements, as well as corporations, weddings and funerals.

<sup>13</sup> Although the company changed ownership from the Tidy family to the Lye family in the late 1940s. Source: Tidy's Flowers Web site [http://www.tidysflowers.com/index.cfm?fuseaction=tidys\\_history](http://www.tidysflowers.com/index.cfm?fuseaction=tidys_history)

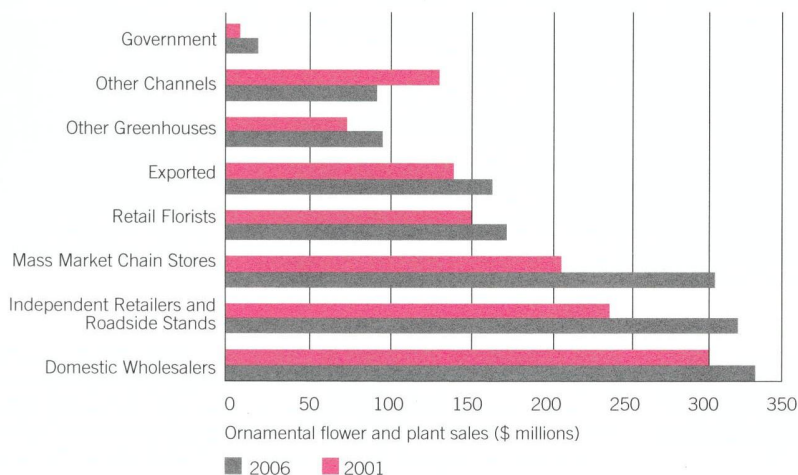
<sup>14</sup> America: *Unwrapped Nationwide Survey Uncovers Americans' 21st Century Gift Giving Attitudes and Desires*, [www.aboutflowers.com](http://www.aboutflowers.com) and the Society of American Florists, [http://www.aboutflowers.com/gift\\_b2.html](http://www.aboutflowers.com/gift_b2.html),

<sup>15</sup> Source: Statistics Canada, Catalogue 22-202-XIB, 2006. Note: \$1.2 billion excludes sales of flowers and plants by wholesalers.

<sup>16</sup> According to Hoovers Inc., in the US flower arrangements account for 55% of industry revenue and potted plants for 15%



**CHART 1: SALES OF ORNAMENTAL FLOWERS AND PLANTS IN CANADA, BY DISTRIBUTION CHANNEL – 2006 AND 2001<sup>17</sup>**



Wholesalers and importers supply many of the retailers. Wholesalers obtain their products from domestic growers and greenhouses across Canada and internationally. The major sources of flowers and plants in Canada are from growers in the Niagara region of Ontario, the Fraser Valley and southern Vancouver Island in British Columbia, and Québec. In 2006, Ontario was about 55% of the Canadian grower industry, BC 21% and Québec 11%.<sup>18</sup> These products are also imported from a number of countries such as the following (arranged with the most important producing country or state mentioned first for each continent or country, respectively):

- Central and South America: Colombia, Mexico, Ecuador and Costa Rica
- US: California, Washington, Florida, Hawaii, Oregon, New Jersey
- Europe: The Netherlands, Italy, Belgium, Denmark, Germany and Spain
- Africa and Middle East, such as Kenya and Israel.

Kenya and Colombia are particularly big producers. The Netherlands supplies much demand for flowers at auction and obtains a high percentage of these flowers from Kenya. Thus, floral arrangements sold in retail stores can and usually do comprise flowers from Canada and around the world.

Canadian production cannot compete with the low labour rates of South American and African producers. In addition, Canadian producers are not permitted to use certain pesticides and other environmentally damaging or unregistered products that some international producers employ to achieve high levels of cut flower production. So, although literally the greenest of industries, international production is not always environmentally green. While Canadian growers still produce traditional flowers such as roses and chrysanthemums, increasingly domestic cut flowers are of a specialty variety because these are harder to import economically and transport without damage. Specialty cut flowers such as gerbera, lizianthus, snapdragons and alstroemeria are often grown in Canada.<sup>19</sup> There may be opportunities for environmental awareness to be raised to the advantage of Canadian products and domestic growers, and for gifts such as floral arrangements, hampers and complementary goods to be bundled together as environmentally friendly.

Each region of Canada has some differences in industry participants, if not structure. For example, in British Columbia, the United Flower Growers' Co-operative Association is a grower owned and operated co-operative that produces and sells floral products at auction. In Ontario, the Ontario Flower Growers Co-operative Ltd. similarly auctions flowers to retailers.

## WIRE SERVICES

While individual retail florists are not often well known outside of their local geography, wire services often enjoy a high level of awareness. Canadian consumers increasingly use the Internet,<sup>20</sup> 1-800 numbers and the reach of their local florists to provide floral arrangements to recipients in distant locations. When they do so, wire services make the transaction possible by forwarding consumers' orders to fulfilling retailers in proximity to the recipient. As described below, the two major wire services are FTD and Teleflora. These are brands that enjoy consumer recognition and attract retail business to the organizations' networks of florists.

### FTD

Founded in 1910 as Florists' Telegraph Delivery and later renamed Florists Transworld Delivery, FTD was the world's first flowers-by-wire service. Headquartered in Illinois, FTD is an international wire service that connects approximately 20,000 retail florists in the US and Canada and supports a delivery network of 50,000 affiliated florists in 154 countries internationally. FTD also helps florists develop an online presence and manage their businesses, operates a credit card program, provides technology solutions and assists with online presence and advertising, among other services.

### TELEFLORA

Teleflora has been connecting customers and florists since 1934. The Teleflora Web site makes reference to their floral arrangements as gifts. Headquartered in Los Angeles, California, Teleflora has over 21,000 member florists in the U.S., about 1,800 in Canada, and 20,000 affiliated florists outside North America. Teleflora florists can make use of a number of Teleflora's services such as Teleflora's eFlorist Program, a Web site design, hosting, merchandising, e-mail marketing and administration program designed to help florists succeed online. Teleflora also offers point-of-sale technology solutions, electronic gift card programs and other benefits to retail florists.

There are a number of emerging wire services including Canadian-based Blossoms Network, clearRoot and Floracom International, described briefly as follows:

#### • BLOSSOMS NETWORK

Started in 2000, Blossoms Network Floral Services is based in Bancroft, Ontario and focuses on delivering a low-cost wire service solution to florists.

*Continued on page 8*

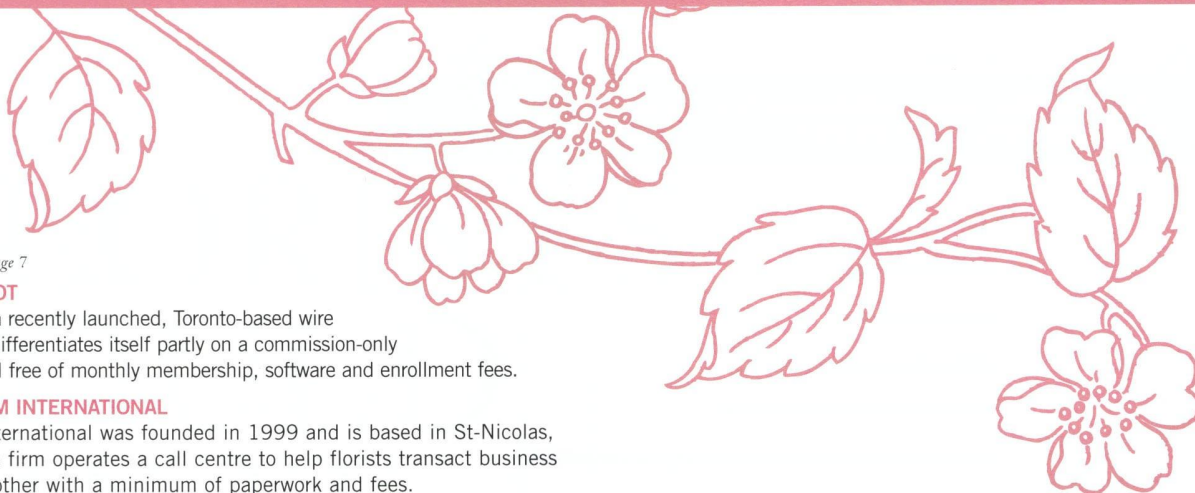
<sup>17</sup> Source: Statistics Canada, Catalogue 22-202-XIB, 2006 and 2002 (for 2001 data)

<sup>18</sup> The Ontario Greenhouse Floriculture Industry, government of Ontario, Ministry of Agriculture, food and rural affairs, 2006 - <http://www.omafra.gov.on.ca/english/crops/facts/greenflor.htm#Industry>

<sup>19</sup> Source: An Overview of the BC Floriculture Industry, Government of British Columbia, Ministry of Agriculture and Lands. [http://www.al.gov.bc.ca/ornamentals/overview\\_floriculture.htm](http://www.al.gov.bc.ca/ornamentals/overview_floriculture.htm)

<sup>20</sup> Approximately 30% of all wire orders are directly from the Internet. Source: Teleflora Web site





Continued from page 7

- **CLEARROOT**

clearRoot is a recently launched, Toronto-based wire service that differentiates itself partly on a commission-only pricing model free of monthly membership, software and enrollment fees.

- **FLORACOM INTERNATIONAL**

Floracom International was founded in 1999 and is based in St-Nicolas, Québec. The firm operates a call centre to help florists transact business with one another with a minimum of paperwork and fees.

Other US-based wire services include BBrooks and BloomNet, the latter a subsidiary of 1-800-FLOWERS. For additional detail about wire services, the reader is referred to *Down to the Wire*, an article that appeared in Canadian Florist, November 2007<sup>21</sup> and the wire services' own Web sites which can be located from any Internet search engine.

## KEY TRENDS

**Just as the rapid growth of big-box and mass merchandisers has** reshaped other retail sectors and supply chains, flower and plant growers and importers are increasingly challenged to supply high-volume requirements of these major retailers. Some mass retailers are bypassing existing distribution channels and auctions altogether and have begun direct international sourcing of their products, which is creating lower consumer prices not just for these stores but also for their competitors and existing channel participants. As a result of factors such as this and rising energy prices (which obviously affect greenhouses in the inclement Canadian weather), many greenhouses, growers and retailers may well be looking for alternative ways to improve profitability. Some might find it of interest to broaden their product lines by offering gifts of other than a floral nature.

Wire services enable local stores to expand their geographic reach but retailers' business models can be compromised if they depend on wire services for the majority of their revenues. Again, retailers might find it of interest to expand their product lines with complementary gifts that would be appealing to their target audiences.

Even though big-box and mass merchandisers continue to grow, independently owned florists will likely survive because they cater to different needs. For example, independents often supply consumer and corporate purchases that are of a planned nature. That this is a stable distribution channel should be of interest to giftware suppliers.

Although Canadians do not give as many flowers as do Europeans, they still give more often than Americans and take many opportunities to reach out. The following are but a few of the possible occasions when Canadians send flowers: Anniversaries, Birthdays, Chanukah, Chinese New Year, Christmas, Congratulations, Corporate Events, Easter, Eid ul-Adha, Eid ul-Fitr, Employee Recognition, Funerals, Get Well, Graduation, Kwanzaa, Mother's Day, New Baby, New Job, New Year, Passover, Proms, Promotions, Sympathy, Thanks, Thanksgiving, Valentine's Day, Weddings and Welcome Home. Given that there are so many events and yet more in the multicultural mosaic that comprises today's Canada, there are likely a number of under-addressed opportunities for market segmentation, micro-marketing (catering to local market tastes) and co-marketing of giftware and flowers.

## ADDITIONAL RESOURCES

**For additional reading on the subject, the reader may wish to review** sources such as the following:

### ASSOCIATIONS

Flowers Canada (Ontario) Inc. is a voluntary organization based in Guelph, Ontario that represents the interests of commercial greenhouse flower growers in Ontario. <http://flowerscanada.org/> and <http://www.flowerscanada.ca>

The Society of American Florists, Alexandria, VA is the national trade association for the US floral industry, representing 12,000 growers, importers, wholesalers and retailers of flowers and plants. <http://www.safnow.org>. A related Web site is *About Flowers*, [www.aboutflowers.com](http://www.aboutflowers.com).

### MAGAZINES

Annex Publishing and Printing Inc., Simcoe, Ontario, publishes of a number of trade publications including *Canadian Florist* magazine. [http://florist.hortport.com/Current\\_Issue.htm](http://florist.hortport.com/Current_Issue.htm) ■

---

*Ian Gordon is a management consultant and Ian Gordon is a management consultant and President, Convergence Management Consultants Ltd. ([www.converge.on.ca](http://www.converge.on.ca)). He conducts strategy and marketing engagements to help companies accelerate their revenue growth and build customer relationships. He is author of 3 books – Relationship Marketing, Competitor Targeting and Beat the Competition – as well as many articles for the Ivey Business Journal and CGTA's Market Monitor. (Email: [igordon@converge.on.ca](mailto:igordon@converge.on.ca)) © Copyright, Convergence Management Consultants Ltd., 2007 – All Rights Reserved*

---

21 [http://florist.hortport.com/Current\\_Issue.htm](http://florist.hortport.com/Current_Issue.htm)