Extreme Makeover, Floral Edition

/ What is it going to take to get the industry and its individuals to make necessary changes? /

>BY STAN POHMER

Every industry and company goes through predictable phases know as a lifecycle. It's a logical progression that takes into account the various stages of growth and decline, and the influence of the ever-changing dynamics of competition.

Many years ago the retail florist had sole ownership of floral sales; the only people they were competing against were other retail florists. Live was good, sales were growing and profits were strong; this was the growth stage of the lifecycle. The clinical characteristics of the growth cycle are:

- Rapidly growing sales, and you don't have to work too hard to get them
- Improving profitability
- Management feels they're bullet proof; you can afford to make some mistakes without having them turn into major catastrophes
- Easy access to investment capital
- Growth of new competition as new companies or channels want a piece of your sales and success
- An attitude of 'if we carry it, it will sell' without too much regard to understanding consumer needs and external market dynamics
- Good business management and practices weren't necessarily crucial to success.

And many florists built their business models on the foundation of relying on the fulfillment of wire service orders, not walk in traffic. It wasn't necessary for them to market themselves because the wire services performed this task for them, having others build demand that they could feed off of.

And then new retail channels came into the market, companies such as the supermarkets, warehouse clubs, direct shippers, order gatherers. To supply these new channels, new production infrastructure was built; in the case of cut flowers, much of this new availability was developed off shore in Colombia and Ecuador, bringing a new supply of lower priced flowers into the marketplace.

Simultaneously, non-floral categories started to compete for the same customer that previously we thought we owned exclusively, with better marketing than ours to entice them and lure them away. Our sales began to slow and stagnate; we entered the stage of maturity. Consider the clinical attributes of a company or industry in the mature stage of the lifecycle:

- Slowing sales, and you have to work harder to get them
- Profits become more elusive
- Pricing stabilizes and commoditization begins (commoditization is a natural result of more outlets making a given

product available more broadly, with supply exceeding demand)

- An increasing focus on managing operational costs if the top line isn't growing, at least manage to the bottom line. This practice usually results in compromising the customer experience in both product and services.
- Companies begin to expand their assortments into ancillary and related products (in our case, plush, giftware, food baskets)
- True innovation decreases and more focus is placed on tweaking what you already have
- Consolidation of retailers and suppliers begins, with the more successful gaining both sales and market share, and the weaker either being bought out or going out of business.

Also impacting the retail arena is the "Wal- Martization" of America. The net effect of this is that the consumer has become ever more increasingly focused on price, value and convenience in everything they purchase.

Though many independent retailers may want to or think they can ignore these realities, these are relatively long term (permanent?) and fundamental changes in consumer mindset and society in general, and it's a new competitive world.

Okay, so faced with new and constantly evolving competition and a consumer that's more price value focused than ever before, plus the real fact that the florist channel of retail is, by definition of the lifecycle, well into the mature stage of the lifecycle, does it mean that you have to accept the fact that the next logical step is into the 'decline' phase? The answer is a definite 'yes' and 'no', depending on how you want to approach your options.

If you continue doing the same things you've always done, are facing significant challenges in sales and profit, and chose to do nothing to exploit the opportunities available, or changing your mindset, then it's inevitable that you will enter the decline stage. And once you enter this stage, it's difficult to reverse course. Blaming your issues on others (i.e. supermarkets are taking my customers or selling at too low a price, among others) and wishing they'd change their tactics won't solve any problems; your business will never be the same as it used to be because the marketplace has changed...permanently.

You will never be able to control the actions of others in the marketplace, no matter how much you complain about it, so any energies expended on trying to effect change on them is wasted effort.

But if you accept the realities of the changed marketplace and are willing to take the risk of fundamentally changing the way you think and the way you position and market yourself, there are exciting opportunities to re-invigorate your business and either extend the time you spend in the mature phase of the life cycle or even make significant enough changes to move your business back into the growth stage. I'm not advocating change just for the sake of change, which is a waste of effort and

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resources, but rather consider change in response to prevailing and anticipated market forces and new consumer dynamics. The key to taking this path is taking control of your own destiny, not relying on others (i.e. wire services, national/state/regional associations, or other marketing programs) to promote for you. It's all about making your shop relevant to today's consumer, understanding what solutions (solutions = services, products, ideas, ease of purchase, etc.) you can provide that will set you apart from the other choices they have available to them. It's about developing relevancy throughout the year, not just for special occasions and holidays, that addresses your customers' needs and expectations that results in customer loyalty.

This may sound very philosophical, lacking practical application, but at its core is a sometimes painful soul searching on what you need to do to become relevant, a process that challenges what's, how's and why's you are doing things today. The result is a definitive break from the past that enables you to strategize towards the future. And recognize that change is a continuing process that needs to evolve constantly to meet the expectations and demands of a consumer that continues to morph.

Your competition, both within our industry and without, is constantly in flux. The demographics of your customers, current and potential, are constantly changing. Sources of product will continue to change. And the way you meet these changes must continue to evolve to meet these changes.

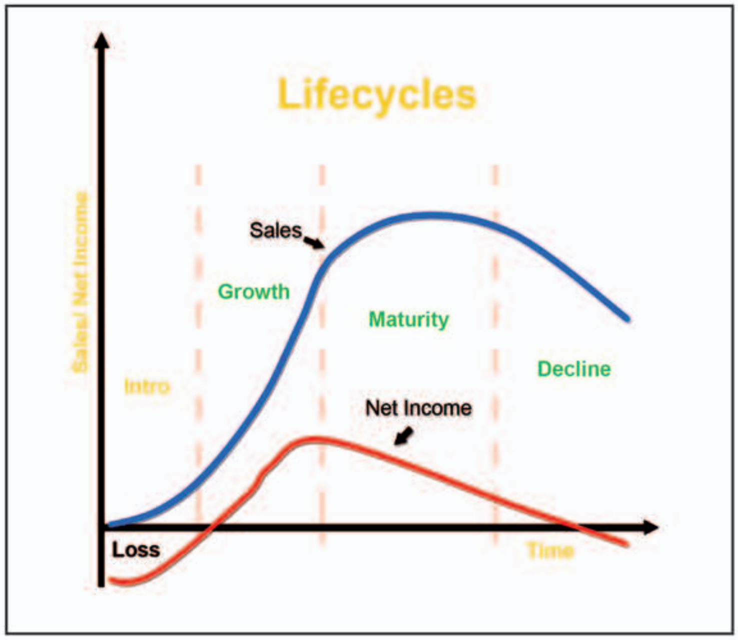
Some basic thoughts from my perspective for you to consider...

- Mass marketers have a different operating cost structure that allows them to sell product at lower prices. Their positioning is on price value, though some are getting better at adding value-added services to their programs. You most likely cannot build your business model to compete directly with them.
- Though you start with the same product that the mass market uses, you have the ability to provide artistry and inspiration, a major point of differentiation. Focus on communicating your strengths, not competing against their strengths.
- In today's challenging competitive environment, it's imperative that you operate your shop based on sound and realistic business practices. Being the most creative designer without good management and financial acumen is a quick path to failure.
- Too many shops are overly dependent on floral holidays for a disproportionate percentage of their sales; this puts you at tremendous risk. While protecting your holiday sales volume, try to develop more casual home fashion and decor business throughout the year. Though it may be lower priced product, it increases the frequency of shopping and helps build relationships and loyalty with your customers.
- Communicate more frequently with your customers, both current and potential. This doesn't have to be expensive advertising, but can be done through monthly e-newsletters, Welcome Wagon basket coupons, sponsoring a local kid's sports team, being active in your Rotary or business league, or regularly placing an arrangement at the service desk at your health club with your business card attached. And always wear a simple corsage or boutonnière wherever you go, it inspires people to think about flowers and helps promote your shop!
- There is no manual that can tell you

exactly what you need to do to succeed because every shop is different, your personal goals are all different, your competitive situations are different, and your customer bases are different. Change is not an easy process; it requires a lot of thought, planning, commitment, resources, patience, and guts. Change can be painful, but not changing is even more painful, and often fatal.

A few of you have already made the decision to change to address this new and constantly evolving marketplace, better understanding your customer and what it takes to meet their expectations. But many of you are at a crossroad; either start this process of re-invention to catch up and control your own destiny, or be dictated to by the market forces and increased competition, marching to the beat of someone else's drum.

The choice is yours and yours alone...



About the author

O. Stanley Pohmer, Jr. is the founder and CEO of the Pohmer Consulting Group, focused on the Floral, Lawn & Garden, Horticulture and other perishable and seasonal industries. With over 26 years of retail and consumer experience, he brings a solutions-based, consumer-focused approach to his international consulting practice.

Stan is also the Executive Director of the Flower Promotion Organization, an alliance of U.S. and Colombian growers marketing an integrated consumer-directed campaign to increase the everyday use of cut flowers.

In addition to serving as Vice President of America in Bloom, Stan has served in leadership positions in the Produce Marketing Assn., the Floral Marketing Assn., the American Nursery & Landscape Assn., OFA and the Poinsettia Growers Assn. He has presented in seminars internationally and has contributed numerous articles to industry trade publications and journals. Stan can be reached at spohmer@pohmer-consulting.com or by calling (952) 545-7943.