



international florist organisation

European Florist Sector Report 2014

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ABOUT THE STUDY

Florint, the International Florist Organisation, is the sole trade body that represents florists in Europe. To do so, the organisation gathers information with Florint's member national associations who represent their florists at a national and local level.

From July-September 2014, Florint has compiled a report from surveys of 13 Florint members. This study has compiled the results from all of the following countries:

- Belgium
- Croatia
- Czech Republic
- Finland
- Germany
- Greece
- Italy
- The Netherlands
- Poland
- Slovenia
- Spain
- Switzerland
- United Kingdom

The results of the study show large variations of the challenges of various national markets, but also lots of similar challenges that florists face as a whole both past, present and in the future. As a study for Europe, this study incorporates key countries and represents more than 50% of the European market.

EUROPEAN MARKET

The study carried out in the 13 countries represents **362.750.000 habitants with approximately 59.700 professional florists**. The most important fact is that the florist sector is highly competitive. Florists in Europe generate a total sales turnover of approximately 9,731,100,00€. Through statistics, one flower shop caters to 6.076 consumers, representing an average sale of 27€ per consumer a year.

Furthermore, the professional florist market is worth 3,761,100,00€. Of this number, the sale of flowers represents approximately 74% of the market. Plant sales are 16% and decoration materials make-up approximately 10%. This is very evenly distributed throughout the whole market.

Key figures:

Professional Florist
Turnover: **9,731,100,000€**
(163.000 per florist)

Consumer per florist: **6.076**

Average spending per
consumer a year: **27€**

Professional Florist National
Supplier Demand:
3,761,100,000€ (39.000€
per florist)

Gross wage **Junior/trainee**
florist: **1.108,00€**

From the total sales in Europe, transmissions between florists are an important component of a florists' service. Although numbers differ in countries, in middle to bigger European countries 60-70% of these professional florists belong to a transmission company. In smaller and Eastern European markets, transmission companies are only present in about 30% of these professional florists, with a trend of almost 10% within smaller countries of Eastern Europe.

In order to meet these sales demands, professional florists tend to buy their goods locally. About 64% of florists buy their flowers from local suppliers and wholesalers due to distance and personal relationships. More than 60% of these florists will usually go physically to the wholesaler in order to see the product. About 30% of the florists will use the

phone to make orders, and about 10% will buy online. The remaining 36% of purchases are made through international suppliers and exporters mainly due to price and assortment.

As a business, the average flower shop is doing well. On average, the costs of goods and services (COGS) should represent about 65% of the florist's costs. The average of the country's surveyed is 54%.

All these results would suggest that the sector is faring well. However, this is far from true. Over the last 3 years there has been a huge decline in sales and close of flower shops of approximately 19%. In real terms, in the 13 countries surveyed there has been

an approximate fall in sales of 1,848,909,000€ and 11.343 businesses have closed. Mediterranean and Eastern European countries and their florists have taken the brunt of this trend and their margins are being squeezed immensely. Now, what we see is that national sectors who starting to increase their turnover have a very positive outlook. On the other side, national flowers markets who have not been able to pick-up, are doing very badly.

Hence, one must look at both sides of the coin and determine why the current market outlook is divided between optimistic for some countries and realistic for others.

EUROPEAN MARKET CHALLENGES

The market throughout the 13 countries surveyed presents us with various challenges. The main problems this study presents are five-fold, each having an effect on the other.

The most important challenge is the clear decrease in consumption as a result of the economic crisis. A drop of 19% is extremely dangerous. Some countries have suffered a lot – Greece (more than 50%), Italy (50%), Spain (45%), Poland (25%), Germany (25%) – and some of these are countries with the biggest population and territorial size in Europe. Furthermore, government policies have made matters worse by increasing VAT – Spain (8-21%) and Croatia.

The second challenge is tied in with the first: the increased competition from other points of sale. In many countries, especially those who have a well-established flower market, supermarkets have been taking a huge chunk of the florist's sales. The main reason is economical: consumers are still affected by the crisis and they do not want to spend much money on goods. The cheapest option, even though these may not be the most beautiful, will be the one that is bought.

For this reason, other business have started to sell flowers as part of their services and/or products. This phenomenon has arisen especially in Mediterranean and Eastern European countries where independent retailers, independent florist without shops, wedding planners, neighbourhood shops and illegal ambulant sales people sell flowers. These florists have taken a lot of the events and B2B sales which was part of the florists' clientele before the crisis. These new sales people offer florist services at a much lower price, and taking into consideration that consumers are spending much less (for example, hotels have cut their budget up to or more than 75%), these people are taking the market.

Furthermore, there is a new sales tool which has landed in the British market which works well in the USA and may be added to the list above as a threat to the florist: boxed flowers. Companies such as Marks and Spencers are using the model that was developed by 1800Flowers in the US. These companies offer arrangements online at very low prices. Flower arrangements are made, put in a box, and shipped for next day arrival. Consumers only need to cut the stems and put them in a vase. This threatens the flower industry as a model that will mark a new race to the bottom for the price of flowers, bring down the standard of arrangements, and take-out the human factor a florist offers.

This race to the bottom is the third challenge for florists. Florists cannot cut their margins too much and try not to compete with these other sources of competition. Flower companies with very large supply chain can compete with these companies (ie Monceau fleurs in France, or Mester Grønn in Norway). Normal florists with one, two or

three shops can't recreate this large supply-line and must meet their sales and cost differently.

By cutting margins, a business can fail because of the need to cut costs elsewhere. If we take the average florist in these 13 countries, their margins are good as they mark their price up by 4.2. Most florists in markets that are strangled by this competition are only marking their price up by 2, sometimes even less. Thus the challenge of a professional florist is to know that the battle is not with these other sources of competition. Florists will end up losing if they go down this road and will probably lose their business, too.

The final challenge is also part of the solution: creating added value. The FDF (Germany's Florist Association) pointed that this factor one of the key priorities of their organisation. Creating added value can only happen when there is a difference from the competition don't offer and professional florists can: art. But for art you need education, and the challenge in this area is to develop a much better floral education in every country in Europe.

Countries that can look into how to create added value through art are exactly the countries which have an average consumer spending of 27€ or more. Here we find countries such as Germany, The Netherlands, Belgium and Switzerland. All of these countries have very good floral education, and their flower arrangements are what consumers are looking for when they go buy flowers at flower shops. By creating a good education in floral design, consumers will buy arrangements and trust flower shops. It's building the trust with consumers and showing them that when one buys from a flower shop one will get the added value consumers are looking for in flower shops.

Thus, the rest of European countries need a break in order to learn and create the added value for consumers just like these other countries have done.

CASE STUDY: BELGIUM

The demand in The Netherlands, Germany, and Switzerland generates a good flow of demand, but Belgium is probably the best-case scenario for creating demand from florists. One would think that with one florist having 3000 consumers on average (the average is 6000), the competition would be fierce, and florists would decrease their price in order to get more customers. However, this isn't the case. Each of Belgium's inhabitants spends around 55€ on flowers and plants a year. Part of the solution is that Belgium has a good supply of materials, but also it has good quality flower arranging. Hence, Belgium consumers are used to good flowers and good arrangements. They trust florists to deliver quality all around and why they spend more when they visit florists.

SOLUTIONS

Supply-side solutions (cost-cutting) are no longer valid and what one needs to do as a sector is look at the demand-side.

Unfortunately, many florists in Eastern Europe and the Mediterranean only have one person working at the flower shop. In other words, the next step in cost cutting is to close their business. This is something that one should not contemplate.

Now is the time to look at demand-side solutions and sales. There are many solutions for this. The first is regulatory. In many countries that are currently hurting, VAT is extremely high and government does not recognise how much labour is required to get one arrangement out of the door. Furthermore, countries with a lower VAT rate seem to be doing much better than those with a higher VAT rate – Germany, Belgium, The Netherlands, Switzerland, etc...

However, the solution is to know how to market to consumers. Marketing is a very complicated and time-consuming activity. The main factors of marketing - studying prices, competition, trends, consumers, and then doing the actual marketing activities – is one that a florist can't do and may not understand. Thus, this activity should be done by associations and fed to the florists so that these can then see what is happening in the market and how to adapt to it. Only then can the florist understand the change and how to approach the customer without destroying their margins.

Therefore, what florists needed is for national florist associations to do what a florist can't do by himself or herself: find what consumers need and study what is needed as a value added service. This should be done by the whole sector with a common budget that looks into market studies and marketing activities. It is only through marketing that professional florists can try and provoke demand-side solutions inside of continuing to cut-back on costs.

CONCLUSION

Europe's professional florists have lived through an extremely difficult time. Although the professional florist sector in the 13 countries surveyed in this report represents a high turnover of 9,731,100,000€ and high demand for floristry products of 3,761,100,000€, the sector's demand has decreased on average 19% and about the same amount of professional florists have had to close their shops.

Today, Europe's floral industry presents two faces. The first are those countries where the sector is starting to pick-up, such as the UK, Germany, The Netherlands, and Scandinavian countries. The other-side is that where high VAT and low demand are killing the industry. Unfortunately, this is the situation in the majority of European countries. In other words, the poorer are getting poorer.

The reasons are many: increased legal and illegal competition from other retail establishments, a race down to the bottom in prices to compete against these establishments and market needs, and the lack of knowledge on how to add value to professional florist creations against this new competition.

However, there are solutions. The first is the need to bring VAT rates to the reduced rate. The second is for national florist associations and other actors involved in the sector to help florists understand consumers best through marketing activities, especially studies which will shine light on how consumers act and what they buy. Florists need to be fed the correct information in an easy and digestible way.

All in all, florists in Europe can no longer support any more cuts in their costs. Their burden now is to make it to the end of the month, or the next step is to close their business. This would create an even bigger problem for the sector and they need to find incentives through their sales. Thus, what needs to happen to bring demand-side solutions through sales incentives, such as marketing and VAT reductions. These solutions would allow florists around Europe to breathe again, and permit florists to look at what added value solutions they can find vis-à-vis the ever-increased competition now present in the market who seem they are here to stay.