CBI Market channels and segments:

Cut Flowers and Foliage in Europe
Introduction

The European cut flower market consists roughly of two market channels: one focussing on specialised florists and the other targeting non-specialised retail outlets (e.g. supermarkets). The non-specialised channel is growing, and direct sales that bypass the flower auction clock are increasing. Sales of cut flowers through the internet, the use of e-commerce and online sales platforms throughout the supply chain are important developments that are likely to shape the channels in the cut flower market in the near to medium term. The same is true of innovations in the sea shipment of cut flowers to Europe.

Figure 1: Market channels and segments in the European market for cut flowers

Explanations of the various market-channel actors are provided in Annex 1.

Market channels: key characteristics and dynamics

The Netherlands is at the centre of the European flower trade

The Dutch flower auction of FloraHolland is the central marketplace in which imported cut flowers are sold and redistributed to other European destinations. FloraHolland and the associated flower companies have built outstanding logistics and trade services systems and facilities, for both the physical and virtual trade of cut flowers. Following FloraHolland, the second important flower auction is Plantion. This auction is located in the Eastern part of the Netherlands (in Ede), and specifically targets the specialised distribution channel (e.g. florists, street and market stalls and gardening centres) in the Eastern part of the Netherlands and neighbouring Germany.

More than 50% of all imported flowers in the EU go through the Netherlands. Besides the flower auction, a lot of specialised wholesalers are located in the Netherlands. From the Netherlands, cut flowers and bouquets are re-exported all over Europe. Dutch wholesale export companies supply to important wholesalers in other European countries, who then deliver to local florists. Some Dutch wholesale companies also deliver to florists in other countries (e.g. through their own cash-and-carry outlets or through online ordering). Larger wholesalers supply directly to large retail chains in other European countries.

Tip:
- Use the extensive network of the Dutch flower auctions and flower trading companies. The FloraHolland Flower Auction and Plantion Flower Auction are reliable trade platforms that offer extensive services that help you enter the European market, each with its own focus.

The cut flower market can be divided into two main sales channels

The specialised market channel refers to the sales of flowers through florists, market/street stalls (kiosks), gardening centres, and other outlets where flowers (and plants) are the main product. Specialised shops offer a wider assortment of cut flowers and associated products, and they usually create custom bouquets and flower decorations according to the wishes of their customers. Many wholesalers in this channel buy flowers at the auction in order to compile a wide
assortment of flowers and they sell this to florists and importing wholesalers all over Europe. The traditional trade channel through the Dutch flower auction predominantly targets the specialised florist market channel. Florists and street vendors either buy flowers directly at the auction, or are supplied through cash-and-carry outlets, by “Flying Dutchmen” or specialised exporters.

- The economic crisis has caused liquidity problems for many flower shops. As a result, suppliers are facing increasing risks associated with payment delays. Supplying through the auction guarantees payment for growers/exporters. Nevertheless, liquidity problems continue to generate a high level of uncertainty in the flower sector.
- Specialised florists carry a more diversified range of flowers than supermarkets. This includes speciality flowers and higher-quality flowers. Florists usually sell a range of flower and plant-related products (e.g. vases), whereas street market stalls have smaller assortments and focus on impulse buying of bouquets and mono-bunches.
- Environmental and social standards do not yet play any dominant role in this segment. The majority of retailers in the specialised market segment do not yet place any substantial emphasis on how the flowers are produced. Notable exceptions are the UK and some countries in Scandinavia, where flowers with sustainability labels (e.g. FFP) are gaining popularity in both flower shops and supermarkets. The market share of sustainably produced flowers is expected to increase further in the specialised trade channel, growing from a small niche to a significant market segment within the next 10 years.
- In Italy, Spain and France, the majority of all flowers are bought at florists. In Eastern Europe as well, florists continue to be the primary sellers of flowers, with market shares ranging from 60% to 85%. In Scandinavian countries (e.g. Sweden), the share of specialised florists is decreasing.
- In the Eastern European market, a considerable share of cut flowers are sold as single stems. For example, in Poland, 18% of the flowers are sold as single stem. In Spain, Switzerland and Sweden as well, people buy between 10% and 14% of all cut flowers as loose stems. Roses, tulips and sunflowers (Helianthus) are the most popular products to buy as single flowers. In Western Europe, consumers buy flowers primarily in bunches, whereas in Eastern Europe, many cut flowers are sold as single stems.

Tips:
- Make a deliberate choice for a market channel. If you do not have experience on the European market, consider supplying to the flower auction. Supplying through the auction guarantees payment.
- Study the information that the auction provides. Identify your most important buyers.
- Contact and visit important buyers in order to create sustainable relationships.
- Always provide accurate information about your products. Given the increasing importance of distance buying, products are often not physically inspected by the buyers in advance. Instead, buyers rely on information supplied by the growers. Be sure that this information is always correct. If not, this will harm your reputation as a reliable supplier.
- Explore the potential of supplying flowers produced in socially and environmentally friendly ways, but only if your company is ready to adhere to the requirements and only if this is part of your long-term company strategy. Additional information about social standards is available in the ITC Standards Map: http://www.standardsmap.org/.

The unspecialised market channel consists of the (large) supermarkets and includes also gas stations, Do-It-Yourself stores and other non-specialised outlets. The dominant feature of this channel is that flowers are a secondary product in the assortment. The assortment is narrower, and supplementary services (e.g. custom-made bouquets) are non-existent. Most wholesalers specialise in one of the two main sales channels, although some (particularly the larger wholesalers) have special divisions for each channel.

- The non-specialised market consists of large supermarkets, filling stations, construction markets and other retail outlets that are not specialised in flowers and plants. Flowers are not the primary product of these retailers. In this segment, consumers are more likely to buy flowers on impulse or when they are in a hurry. One-stop-shopping for a wide range of products is popular throughout Europe, and especially in the UK, France and other Northwest European countries.
- The non-specialised market is highly concentrated. A few dominant retailers have a major influence on the market. Some of the major players in this market segment include Tesco (UK), Aldi (Germany), Lidl (Germany), Carrefour (France), Royal Ahold (Netherlands) and Sainsbury’s (UK).
- The importance of the non-specialised market has increased in recent years. This segment is dominant, and it has increased in recent years, especially in the UK. It has also increased in the Netherlands, Germany and the Scandinavian countries.
- For all retailers in this market, the sales of flowers comprise only a small part of the total sales. Consumers usually buy flowers in bunches – either mixed bouquets or mono-bunches. Bouquets are standardised, usually small and low priced.
Certification is very important to retailers. Certificates of good agricultural practices, quality management and sustainable production are far more important in this channel than they are in the specialised market channel. In many cases, supermarkets impose additional requirements related to social and sustainability issues. In the UK, GlobalG.A.P., Fairtrade and ETI are important certification schemes. In Germany, retailers are increasingly demanding such certification schemes as MPS-ABC and MPS-SQ. Supermarket retailers often request a variety of certification schemes to cover different environmental and social aspects.

Wholesale traders and large retail buyers make direct agreements far in advance. This also takes place between growers and the wholesale traders supplying supermarkets. The flower auction is used only to complement the regular product assortment. Supermarkets also impose additional requirements regarding vase life, labelling and quantity.

Retailers in the non-specialised segment use a large amount of imported flowers. Large foreign producers are able to supply larger quantities and fulfil the specific needs of major retailers.

Tips:
- Target customers in the unspecialised retail market channels only if your company is able to produce constant quality flowers at low costs. Cost price is a major factor in this market channels. There is very limited space for negotiations.
- Develop an adequate product assortment for your target market segment. Be sure that you are able to produce the quantities demanded at constant quality.
- Focus on a specific assortment, market channel and segment to become a long-term and trusted supplier.
- Contact and visit your buyers in order to create sustainable relationships.
- Sustainability is an important issue for supermarkets and retailers. Be sure to comply with their standards if you consider supplying this market segment.
- Find more information about social and environmental labels in the ITC Standards Map and in the CBI document on Buyer Requirements on the CBI Market Intelligence Platform.

Direct trade is growing, bypassing the auction clock

An increasing number of growers from developing countries export directly to the European market, bypassing the auction clock. Many of them still use the direct trade service offered by the flower auction. The direct trade channels are generally more demanding in terms of product requirements and more risky in terms of payments. Especially big UK retailers are sourcing directly from growers, often via dedicated importing wholesalers with connections to farms abroad.

Tips:
- Without prior experience and knowledge of exporting directly to the European market, the direct trade channel is a difficult channel. Exporting through the auction is recommended.
- Although products sold through the auction clock can be sold to just about any buyer, the auction provides information on the buyers. You are advised to carefully monitor which buyers are interested in your products and ask for feedback.

Online trade is growing

New developments in information technology change the way of doing business in the flower industry. Distance buying, pre-auction sales, and online shops are becoming more important. Get ready for these developments by learning about the possibilities and technical aspects. Invest in the necessary software and changes in business processes if you decide to make online trading part of your marketing strategy.

Tips:
- Invest in the necessary software and changes in business processes if you decide to make online trading part of your marketing strategy. Nevertheless, take care to explore the options and learn about the implications first.
- Be sure that the information you provide through online trading platforms is accurate and that any images are of the best possible quality. Without actual physical inspection of the flowers, correct and reliable information becomes very important. If buyers lose trust, it is not easily regained.

The number of wholesalers is decreasing.

In the past decade, the number of flower wholesalers in the Netherlands and in Europe has decreased significantly. The wholesale flower trade is currently dominated by a few major players, each with its own export markets and specialisation. One company group is especially large and diversified: the Dutch Flower Group (DFG), with an annual turnover of more
than €1.2 billion. The company group consists of many subsidiaries specialising in imports, domestic wholesale and cash-and-carry, and it exports to various regions and channels.

Tip:
- Take great care in selecting your importing partners and the associated trade partners further down the supply chain. Several large and small wholesalers have had financial difficulties in recent years, and further consolidation in the cut flower trade is expected.

Geographic segmentation

The European market can roughly be segmented into three different geographical areas with specific patterns of consumption and buying behaviour:

- **Western and Northern Europe:** this is the biggest and the most mature market. In terms of per capita consumption, Switzerland, Belgium, Germany, the Netherlands, Denmark and France have the biggest per capita consumption of cut flowers. The sales of cut flowers predominantly take place in florist shops. However, supermarkets are gaining market share. In the United Kingdom, the market share of supermarkets (including discounters) already exceeds 50%. Consumers often buy cut flowers as bouquets and monobunches. The consumption of cut flowers is increasing in countries like Sweden and Finland, and it has stagnated somewhat in the largest market (Germany).

- **Southern Europe:** Italy and France are major markets for cut flowers. Sales have been decreasing somewhat in Spain and Greece, which were hard-hit by the economic recession after 2008. Florist shops, market stalls and supermarkets are the main outlets. Southern European countries are also relatively large producers of seasonal flowers (especially summer flowers), which means that demand for imported flowers is also seasonal.

- **Central and Eastern Europe:** Consumption of cut flowers is increasing in most countries in Central and Eastern Europe. Although the Netherlands is the main supplier in almost any Eastern European country, direct trade from developing countries is rapidly increasing. This is caused by both an increase in supermarket sales as well as the emergence of local branches of flower importers. Consumers buy flowers at florists and street markets, and gardening centres have increased in market share.

Tips:
- To focus on a geographical market segment, you can partner with a wholesaler specialised in that region.
- Pay attention to specific preferences of consumers in a geographical area, specific peak days (like Valentine’s Day and Mother’s Day) and organise your growing season accordingly.

Figure 2: Market share for cut flowers per sales channel, per country in % (2012), selection of countries

Gift market segment: Overview

The market for flowers as gifts represents between 40% and 70% of all expenditures on flowers, depending on the country. In Eastern and Central European countries in particular, as well as in Switzerland and Austria, the gift market is the largest part of the market for cut flowers. In general, higher average consumer income is associated with lower shares of the gift market for cut flowers.

Several sub-segments can be distinguished within the market segment for gift flowers, depending on the occasion (e.g. special days, anniversaries), quality and price. The highest-priced segment includes flower bouquets and arrangements that are custom-made and specially designed. Prices for a special arrangement can exceed €100. The middle-priced segment includes quality bouquets and mono-bunches, which are sold primarily by florists and web shops. The lower-priced segment includes predominantly mono-bunches and smaller bouquets sold at supermarkets, filling stations and street market stalls.

Special days play a very important role in the flower trade in Europe. Sales of some varieties can actually double on special occasions (e.g. Valentine’s Day on 14 February). Roses (red and pink) are especially popular on Valentine’s Day, although traditions vary by country. Another important special day is International Women’s Day (8 March), especially in Central and Eastern European countries. Other special days in many European countries include Mother’s Day (celebrated on different dates in different countries), All Saints Day, First School Day and Last School Day.

Gift purchases from florists tend to be associated with planned purchases for occasions that are often known in advance. When consumers buy cut flowers as gifts from florists, they tend to spend more time comparing different alternatives. This provides suppliers with the opportunity to add and attract consumers with additional product information and special packaging. In the non-specialised market channel, products are more standardised, offering fewer opportunities for differentiation from the competition.
Figure 4: Segments within the gift market channel

Top segment
- Bouquets of tropical flowers and foliage; high-quality roses; exclusive flower arrangements, mono-bunches using high-quality flowers (long stems, large buds) or special varieties; single stems for special purposes.
- Highest quality requirements.
- Bouquets priced from around €30. Often sold with additional special packaging or gift products.
- Market channel: primarily high-quality florists.

Middle segment
- Average-priced bouquets, quality roses of medium length, quality mono-bunches.
- Average quality requirements.
- Increasing demand for social and environmental certification.
- Bouquets priced around €15–€30.
- Market channel: primarily florists, web shops.

Low segment
- Low-priced bouquets and mono-bunches.
- Average-quality flowers that are sourced to sell quickly; high volume and low prices.
- Bouquets priced up to €15.
- Market channel: primarily supermarkets, filling stations, street market stalls.

Consumer use and impulse-buying market segment: Overview

The market for cut flowers for consumer use (e.g. as home decorations or as a casual gift to a spouse) is especially large in the Netherlands, the UK, Germany and Belgium. These temperate-climate, Northwest European countries with high average incomes form the primary market for cut flowers for consumer use (40%–60% of all expenditures). Such purchases are increasing in Eastern and Central European countries. Further growth in this market segment is expected as average incomes in these countries continue to increase.

Flowers for consumer use are more associated with impulse buying than are flowers for gifts and other market segments (e.g. funeral and wedding flowers). About 25%–40% of all cut flowers and bouquets are bought on impulse. Flowers bought on impulse are generally priced lower. The market segment for impulse buyers is therefore associated with supermarkets, filling stations and market stalls.

As mentioned above, sales of cut flowers in the supermarket channel are growing throughout Europe, with supermarkets selling primarily lower-priced bouquets and mono-bunches. In some countries, discounters are likely to sell a bunch of roses for as low as €2 or €3. Growth in the market share of supermarkets is expected to continue, thereby increasing demand for low-priced flowers. In another trend, supermarkets are increasingly sourcing sustainably produced flowers.

In some countries (e.g. the UK, Germany, the Netherlands, Denmark, Austria and Belgium), mixed bouquets are more popular than mono-bunches, while mono-bunches are more popular in other countries (e.g. Poland, Hungary, the Czech Republic and Sweden).
Figure 4: Segments within the consumer-use market channel

Top segment
- Bouquets of tropical flowers and foliage; high-quality roses; exclusive flower arrangements, mono-bunches using high-quality flowers (long stems, big buds) or special varieties, flower arrangements for special holidays (e.g. Easter or Christmas).
- Highest quality requirements.
- Bouquets priced €30 and above.
- Market channel: primarily high-quality florists.

Middle segment
- Average-priced bouquets, quality roses of medium length, quality mono-bunches.
- Average quality requirements.
- Increasing demand for social and environmental certification.
- Bouquets priced around €15–€30.
- Market channel: primarily florists and street vendors (kiosks).

Low segment
- Low-priced mono-bunches (e.g. chrysanthemums, carnations or Gerbera daisies) and discount bouquets.
- Average-quality flowers that are sourced to sell quickly; high volume and low prices.
- Bouquets priced up to €15.
- Market channel: primarily supermarkets, filling stations, street market stalls.

Note that price levels are differing between countries.
Annex 1

Auction

The Netherlands is at the centre of the European flower trade. There is a good and functional system to facilitate the trade in cut flowers. The flower auction is a central marketplace in Europe for buying and selling cut flowers. Flower growers from all over the world supply the auction to find suitable buyers for their products. The FloraHolland Flower Auction offers a trading platform and additional services to suppliers and traders, and is the foremost partner for exporters from developing countries.

Wholesale

The Dutch (exporting) wholesalers have a prominent position in the European cut flower market. They are responsible for the majority of the distribution of cut flowers in Europe to both the specialised and unspecialised channel. There are wholesale traders that are specialised in buying their stock at the auction clock, but there are more and more wholesale traders that source directly from growers. As wholesaling exporters have in-depth knowledge of markets, they are an important partner for exporters from developing countries that are able to meet the quality and reliability requirements to become trusted partners.

Agent

Import agents are intermediates that facilitate trade. They also assist in repacking flowers from cardboard export boxes to the required standard flower containers in order to supply the auction.

Wholesale importers

There are various import wholesale traders that are specialised in importing flowers from developing countries and that work closely with European retailers within the unspecialised market.

Specialised channel

Specialised market channel: the sales of flowers through florists, market/street stalls, gardening centres, etc. Within this segment flowers (and plants) are the dominant product.

Unspecialised channel

The dominant feature of this segment is that flowers are a secondary product in the assortment. Unspecialised market contains supermarkets, construction markets and petrol stations.