SPRING 2003 POST-MORTEM

The annual American Floral Endowment Consumer Tracking Study shows interesting data to benefit the floriculture industry.

By Stan Pohmer

Okay, not to belabor the obvious, but it wasn't the greatest spring we've ever experienced. Too hot too early, colder than normal and too much rain. (I know we needed to overcome multi-year drought in many parts of the country, but did we need to make up the three year deficit in the 10 weeks that encompassed our key selling season?)

If you didn't achieve your plan or even last year's sales numbers, you're not alone, which is why I'm going to look at spring a little differently...not from an absolute sales dollar standpoint, but rather from channel market share and consumer behavior measurements. This type of analysis provides the ability to track where sales ended up by retail segment type. Theoretically, if you're an independent garden center in a wet spring market, your local home improvement competition suffered from the same dismal weather, so how did the customer vote, where did they spend their dollars? Likewise, if you were fortunate enough to have favorable weather, so did your discount competition; were you able to maintain your share of market?

Our industry is fortunate to have access to a 12,000-household consumer panel diary study that has been capturing consumer purchase information for the floral categories (cut flowers, potted flowering, foliage, bedding/annuals and dried/artificial) for the past 11 years, so it has outstanding trend analysis capabilities. The *Consumer Tracking Study* is sponsored by the American Floral Endowment and supported by a small group of industry-leading organizations and companies; the information is compiled by Ipsos-Insight, a leading market research group. What I'm going to provide you with is very high-level data and is only a small sample of the detail available.

DEFINITIONS AND EXPLANATIONS

For purposes of this review, I'm limiting the retail channels to garden centers, discounters, home improvement centers, supermarkets and warehouse clubs; these channels comprise the majority of spring sales (except for cut flowers). And I'm only reviewing the potted flowering, foliage and bedding/outdoor categories. When I talk about market share, it's in context of only these retail channels and only for these categories. And the review period is from January through June.

Occasions. Equates to distinct purchasing experiences, whether the consumer spends $1 or $100 during that visit. Our challenge as an industry is to drive traffic into the stores and then have the products, displays and services available to build up the transaction value. This is critical since the majority of our consumers don't really know what they want or need when they enter your front doors.

Buyers. The households who are currently purchasing floral products and tracking where they are making purchases. Note that the numbers will add up to more than

Figure 1. Channel share in dollars of potted flowering plants.

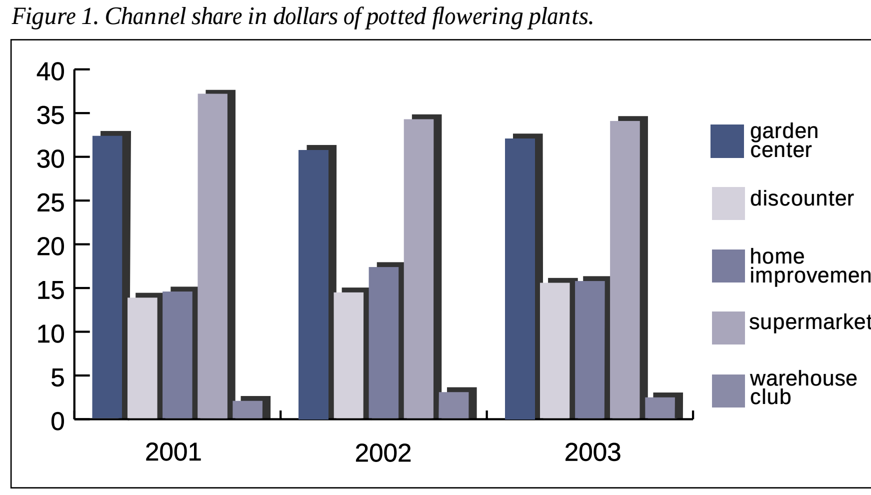

Figure 2. Channel share in dollars of foliage plants.

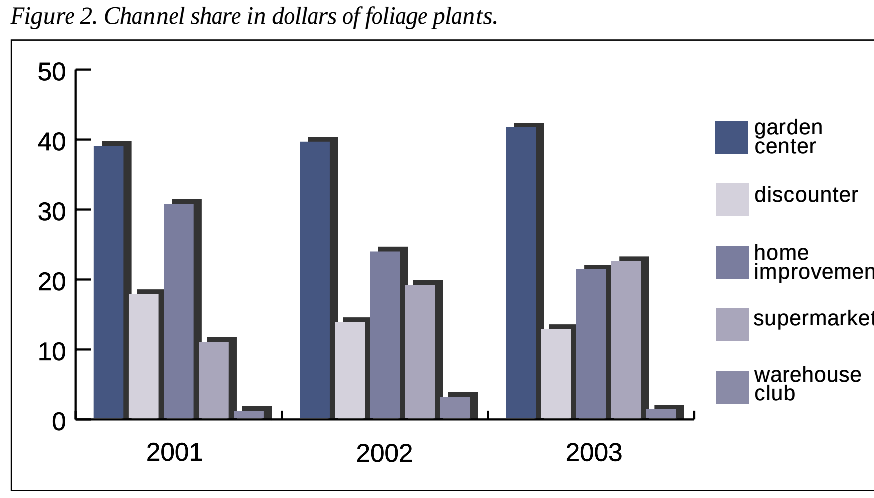

Figure 3. Channel share in dollars of bedding plants/annuals.

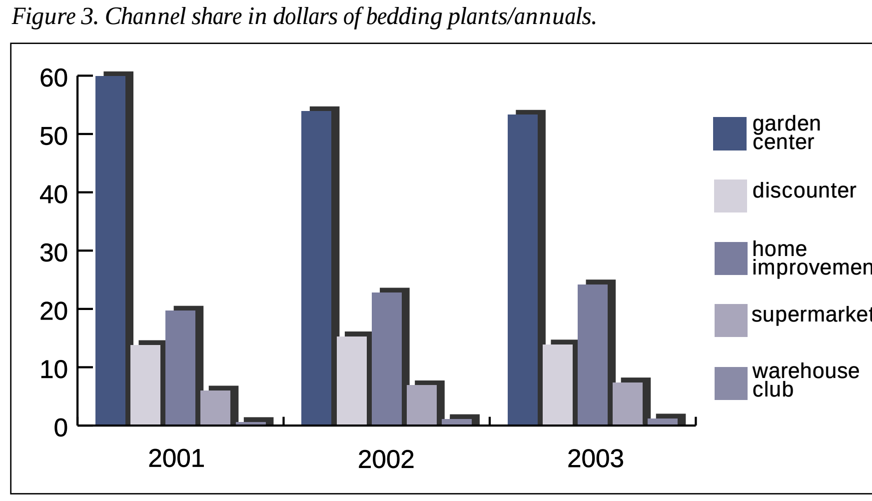

Figure 4. Percent channel share of category by outlet.

Dollars	Flowering Potted 2001	Flowering Potted 2002	Flowering Potted 2003	Foliage 2001	Foliage 2002	Foliage 2003	Bedding/Annuals 2001	Bedding/Annuals 2002	Bedding/Annuals 2003
Garden center	32.4	30.8	32.1	39.1	39.7	41.7	59.9	53.9	53.3
Discounter	13.9	14.5	15.6	17.9	13.9	12.9	13.8	15.3	13.9
Home improvement	14.6	17.4	15.8	30.8	24.0	21.4	19.7	22.8	24.2
Supermarket	7.1	34.3	34.1	11.1	19.2	22.6	6.0	6.9	7.4
Warehouse club	2.1	3.1	2.5	1.2	3.2	1.4	0.6	1.1	1.2
Occasions									
Garden center	21.1	17.4	18.1	30.4	28.2	27.8	42.8	38.3	34.3
Discounter	21.8	19.9	19.4	23.4	23.3	22.3	23.5	23.2	24.0
Home improvement	12.9	16.7	15.0	26.3	22.9	23.0	22.9	25.5	27.9
Supermarket	42.3	43.4	45.5	18.5	23.3	26.2	10.0	11.6	12.6
Warehouse club	1.8	2.5	2.1	1.3	2.3	0.8	0.8	1.4	1.2
Buyers									
Garden center	26.3	19.2	21.4	35.9	31.3	32.0	53.8	50.2	46.7
Discounter	22.3	24.5	21.7	26.8	29.9	26.9	30.4	32.3	33.2
Home improvement	15.4	16.5	16.6	26.6	24.3	23.6	30.2	34.1	36.2
Supermarket	46.6	47.3	53.1	21.2	25.3	33.0	18.2	19.3	20.2
Warehouse club	2.1	3.5	2.5	1.8	2.7	1.1	1.4	1.5	1.2
Penetration									
Garden center	1.3	0.9	1.0	1.2	0.9	0.9	6.8	5.8	5.1
Discounter	1.1	1.2	1.0	0.9	0.9	0.7	3.8	3.7	3.6
Home improvement	0.8	0.8	0.8	0.9	0.7	0.6	3.8	4.0	4.0
Supermarket	2.3	2.3	2.5	0.7	0.7	0.9	2.3	2.2	2.2

Figure 5. Percent household penetration.

Category	2001	2002	2003
Flowering potted	5.0	4.8	4.8
Foliage	3.2	2.9	2.7
Bedding/annuals	12.6	11.6	11.0
Total Penetration	15.4	14.2	13.2

Note: For garden center, discounter, home improvement, supermarket and wholesale club channels only. Individual category penetration adds up to greater than total due to the same households purchasing of more than one category.

Figure 6. Percent category share within retail channels.

	Garden Center 2001	Garden Center 2002	Garden Center 2003	Discounter 2001	Discounter 2002	Discounter 2003	Home Improvement 2001	Home Improvement 2002	Home Improvement 2003	Supermarket 2001	Supermarket 2002	Supermarket 2003
Dollars												
Flowering potted	7.0	8.4	9.8	11.6	12.9	16.6	8.7	10.6	10.4	43.6	39.7	40.0
Foliage	6.3	6.9	7.3	11.2	8.0	7.9	13.6	9.4	8.1	9.7	14.3	15.3
Bedding/annuals	86.7	84.7	82.9	77.2	79.1	75.6	77.7	80.1	81.4	46.7	46.0	44.7
Occasions												
Flowering potted	11.4	11.6	13.9	19.1	18.9	19.1	12.2	15.7	14.0	47.3	46.3	46.7
Foliage	11.1	10.9	11.5	13.8	12.8	11.8	16.9	12.5	11.4	14.0	14.4	14.4
Bedding/annuals	86.6	87.0	85.1	77.4	75.5	76.2	81.3	81.8	83.6	42.1	42.4	41.9
Buyers												
Flowering potted	17.0	14.5	18.0	23.5	25.6	23.4	17.3	17.7	16.9	52.3	51.5	53.3
Foliage	15.0	14.0	15.2	18.2	18.5	16.3	19.2	15.4	13.6	15.3	16.3	18.7
Bedding/annuals	88.1	90.7	90.2	80.9	80.8	82.1	85.5	87.0	85.0	51.6	50.2	46.6
Penetration												
Flowering potted	1.3	0.9	1.0	1.1	1.2	1.0	0.8	0.8	0.8	2.3	2.3	2.5
Foliage	1.2	0.9	0.9	0.9	0.9	0.7	0.9	0.7	0.6	0.7	0.7	0.9
Bedding/annuals	6.8	5.8	5.1	3.8	3.7	3.6	3.8	4.0	4.0	2.3	2.2	2.2

100 percent because most consumers shop at more than one retail channel during the season.

Penetration. The measurement of floral purchasers as a percentage of total U.S. households. Again, the individual category and channel penetration numbers add up to a higher number than the total penetration figure due to cross shopping.

ANALYSIS

Supermarkets dominate the potted flowering category with a 34.1-percent market share, followed by garden centers at 32.1-percent share; home improvement chains have lost some share in this category.

In foliage, garden centers rule with a 41.7-percent market share, an increasing trend category for them.

Supermarkets are showing significant growth, though, rising from an 11.1-percent share in 2001 to 22.6 percent in the first half of 2003.

In the bedding/annuals category, garden centers continue to reap the majority of sales share at 52.3 percent in 2003; however, they are on a downward trend as the home improvement channel increases at the independent's expense, with home improvement gaining almost 5 percentage points of share in the past three years.

With the number of buying occasions over the past three years, home improvement chains have swapped market share percentages with the independents in flowering and bedding, with discounters maintaining. One interesting shift is the growth of the supermarket channel…it dominates in buying occasions of flowering, now leads in foliage share and has grown to a respectable 20.2-percent share of the bedding category.

And the supermarkets are leading the pack in increasing their fair share of the floral buyers with the best performance in flowering and foliage categories. Garden centers and home improvement segments continue the trend of exchanging shares, with little significant share change in the discount category.

Household penetration really is a measure of customer loyalty to our product categories; the sales growth we experience is achieved by selling more to our existing customers, not by adding to the size of our audience. With minor exception, we're losing this share of household to other non-hort categories. Looking at the chart on household penetration (Figure 5, page 37), we see an erosion of only 2.2 percentage points in penetration in spring over the past few years, now reaching 13.2 percent of U.S. households. This erosion doesn't sound significant? That 2.2 percentage points equates to the loss of almost 2.5 million households purchasing our product versus 2001 numbers!

The chart on category share within retail channels (Figure 6, page 37) provides this same kind of analysis but looks at it from the retail channel perspective, rather than from a product category perspective

Hopefully, you can learn something in looking at our performance relatively, rather than just absolutely as we usually do. As I mentioned earlier, this information is provided with the permission of the American Floral Endowment, and they maintain an incredible database on consumer, retailer and category behavior…all from a consumer's perspective. (And, at the end of the day, this is the only perspective that really counts!) For more information on learning about or purchasing this data or more detailed reports tailored to your geographic region, channel or category, contact Steve Martinez at AFE, 11 Glen-Ed Professional Park, Glen Carbon, IL 62034, Phone: (618) 692-0045 or E-mail at afe@endowment.org. GPN

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