UK Cut Flower Market

Opportunities for Irish Cut Foliage

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This report contains a review of the UK Cut Flower market and the role of Cut Foliage in that market. It outlines opportunities for Irish Cut Foliage and makes recommendations for the industry.

Introduction

This report has been compiled following visits to the UK flower packers to understand their attitude to cut foliage in general. I have also visited supermarket stores in the UK to look at how they use foliage. I have used market data compiled by flower packers from retailers' EPOS data and general market intelligence. The consumer research mentioned came from a focus group report commissioned by Dutch breeders and growers of Chrysanthemums in June 2014.

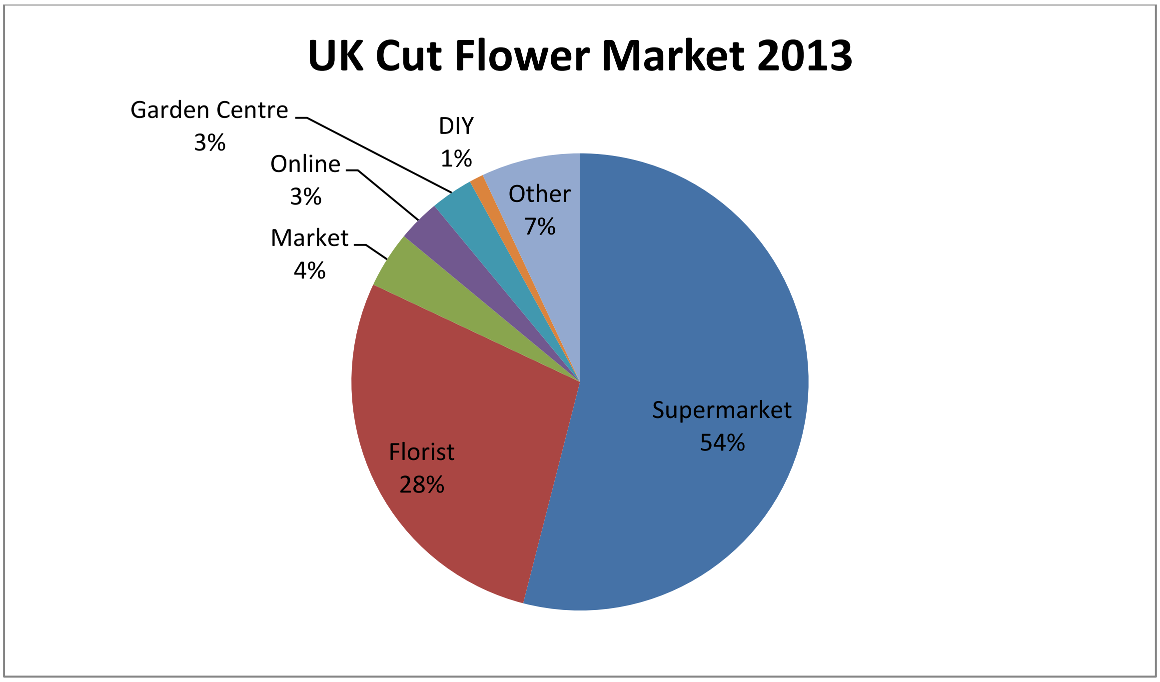
UK Cut Flower Market - Background

The UK cut flower market is estimated to be worth around €2.1bn per annum at retail value. It is the only cut flower market in the world where supermarkets have a larger share of the market than florists (currently 55% to 28%), so supermarkets have a significant influence on the market and its supply.

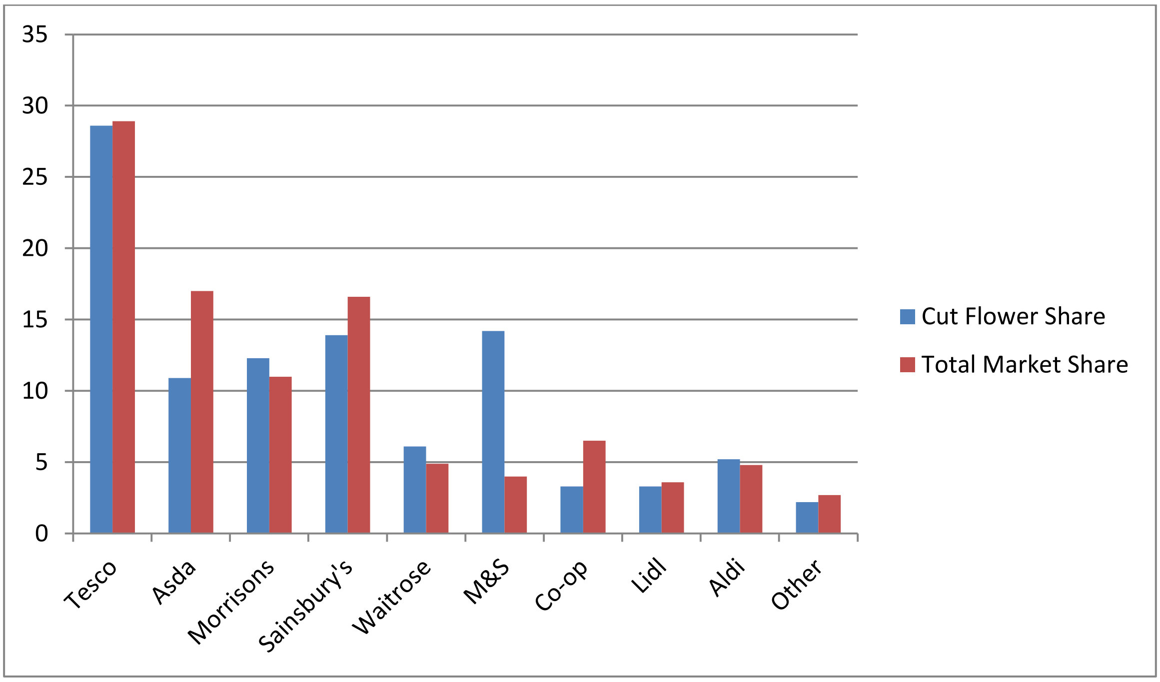
Historically cut flowers in the UK were seen as expensive and of poor quality. Consumers were reluctant to buy and were disappointed by the quality and longevity of the product when they did. The entry of the supermarkets in the cut flower market in the mid 80s resulted in a shorter, better managed supply chain and a subsequent improvement in quality and consumers' experience of vase life. Supermarkets built on this advantage by offering vaselife guarantees and cheaper products which encouraged consumers to buy flowers from them. By 2000 Supermarkets had over 50% of the flower market. The supermarkets had grown the overall market by developing the own purchase sector – consumers doing their weekly shop would pick up a cheap bunch of flowers for themselves as a treat. Consumers having experienced the quality and longevity of the own purchase bunch were then prepared to buy flower gifts from the supermarket further growing the sector and resulting in the supermarket dominance of the flower market.

UK Market Share Information

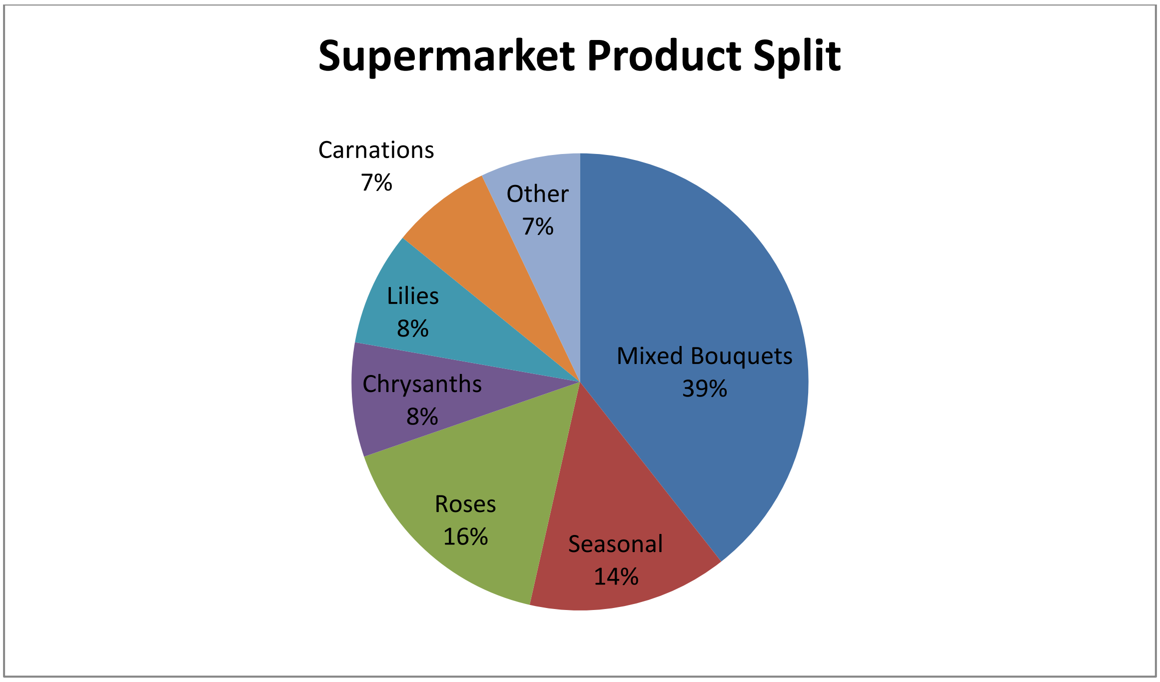
The overall EU cut flower market is valued at €13bn. The UK cut flower market is valued at €2.1bn.



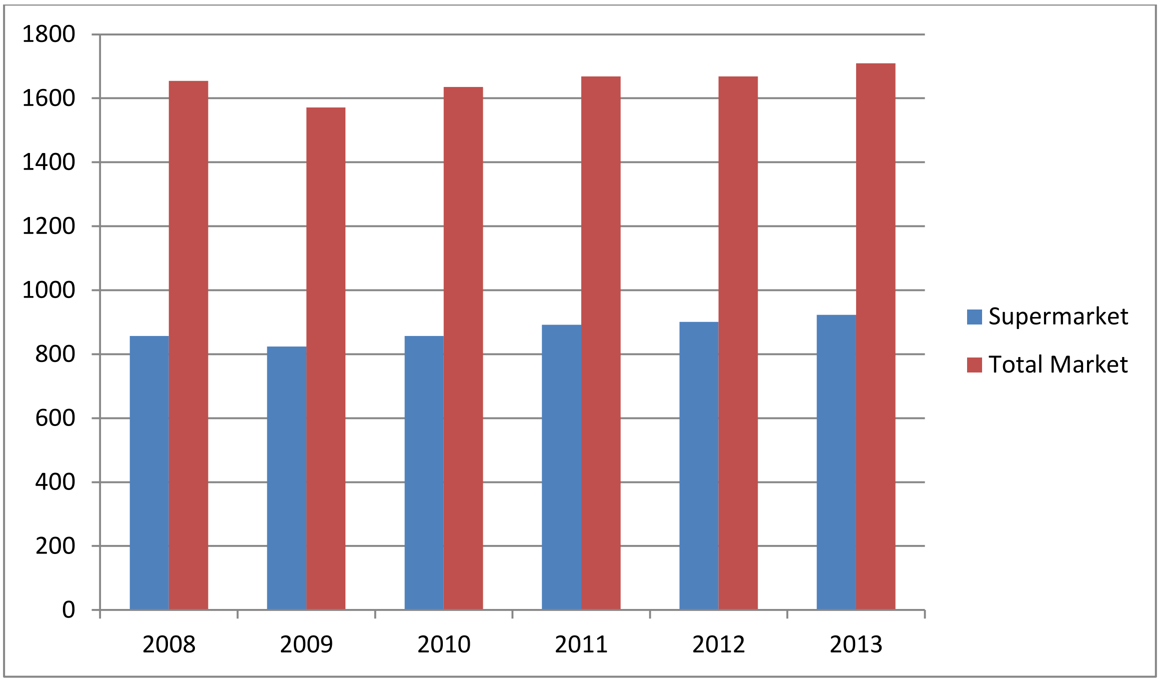
UK Cut Flower Market Share by sector by value 2013



Market Share of Cut Flowers versus Overall Market Share by Retailer Jun 2014



Graph to show the split between different types of cut flowers in the supermarket sector by value



Graph showing £sales of Supermarkets and the Total flower market from 2008 to 2013

UK Supermarket Supply Base

The current supply of supermarket cut flowers in the UK is dominated by 2 companies. In the mid 90s there were 11 or so packers supplying cut flowers to supermarkets worth approx. €115m at cost per annum. In 2013 the 2 main packers, Finlays and Dutch Flower Group supplied around 75% of the supermarket bouquets – their products being worth about €500m at cost between them. This has been a result of consolidation within the supply base. There are a few smaller packers who tend to specialise in seasonal products or geographical supply.

The dominance of the two main packers has led to issues for suppliers trying to launch new or different products. The main point of contact for the supplier is the packer's product buyer. However this buyer's main focus is price and security of supply rather than innovation. The raw material supplier has to rely on the buyer to champion the new product through the packer's hierarchy – to the designers and account managers. As a result the retailer may never see the new product if the buyer feels it does not meet his criteria.

Foliage Supply to the UK Market

Irish foliage supply accounts for a small percentage of the UK supermarket foliage supply and this figure has remained around the same for the past 10 years – the volume growing as sales have increased. The remainder of foliage comes from growers in continental Europe, Israel and tropical countries. The price of further travelled product has become more competitive in recent years as the product is now transported by sea freight rather than air but it is still more expensive than European sourced product. Tropical foliage use is generally for more exotic or expensive bouquets.

Growers supplying products to supermarkets are expected to have recognised accreditation such as global GAP.

UK market view of Foliage

Foliage has traditionally been used only in mixed bouquets in the UK market. Mixed bouquets account for about 40% of the value of the supermarket share. In the past, consumers in the UK have been sceptical of the value of foliage in a mixed bouquet, believing that supermarkets save cost by putting 'free' foliage stems in a bouquet to bulk it out at the expense of more flowers. This view is significantly different to continental Europe where mixed bouquets contain more foliage which is used to enhance and frame the flowers.

Recent consumer research however suggests that the UK view of foliage may be changing as consumers selected bouquets with foliage rather than without, citing a 'more natural' and 'fresh' look to the bunch.

Foliage has long been the poor relation in the mixed bouquet. The approach to the design of a mixed bouquet by the packers' designers is to select the focal flowers and make a bouquet. The foliage is the last product to be selected almost as an afterthought and depending on how much cost is left. If a newly designed bouquet is too expensive for the target retail price the first content to be changed or substituted is the foliage.

Foliage also tends to be one of the main components that are swapped around if an existing bouquet's sales performance starts to slip. Flower packers have contracts for the main parts of a bouquet and flower varieties are harder to move into different bouquets than foliage. Focal flowers are the essence of the bouquet influencing the look and the design it is therefore easier and cheaper for the packer to play around with the fillers and foliage in a bouquet. These changes are usually conducted in a hurry as retailers put pressure on the supplier to solve the problem of falling sales or increasing waste. The designer will be instructed to make new versions of the bouquet within a day and will have to use the foliage products that are to hand rather than order specific product that takes a few days to arrive.

There has been very limited innovation in non seasonal species of traditional European foliage over the past 20 years with most development improving the presentation of existing varieties rather than bringing something new to the market. Exotic foliage from tropical countries has tended to fill the innovation gap.

This contrasts sharply with the development of new varieties of flowers. There is a whole industry dedicated to the breeding of cut flowers with vast amounts invested in bringing new varieties to the market. Development of cut foliage varieties is left to the grower – most of these varieties are bred for the ornamental garden market and no research is undertaken by breeders as to the suitability of the plant for cut foliage. There is no governmental support for the scale up costs of new species.

There is also a need to ensure that potential new products are in line with consumer demand before investing in large scale production. Many other industries spend significant amounts of money on consumer research before launching a product whereas the foliage industry has to rely the opinions of buyers and designers before investing significant amounts of money. The high volumes sold by supermarkets mean that the scale of commitment to a new product needs to be high in order to satisfy this demand. This can be a barrier to launching new products.

One area where foliage bouquets have been very successful is in the Christmas decoration market. This is the only time of year that retailers have been able to sell a foliage only bouquet. This market has grown and developed over the years as the industry has built on this success. This has been done by extending the range into more premium products, developing new species and extensive innovation of decorative finishes on foliage (such as glittering and snowing).

Opportunities for the Irish foliage industry

The UK cut flower market needs innovation in the foliage sector. The category has been badly neglected by both packers and retailers firstly as flower sales grew exponentially in the supermarket sector there was no need to focus on foliage and latterly the recession resulted in cost cutting.

The meetings with the flower packers and their designers confirmed that they are actively seeking innovation and new products in the foliage range. These are seen as a way of differentiating the supermarkets' offer and adding value to their premium ranges. This, together with the results from the recent flower research where consumers appear to have a new interest in foliage in both mixed and mono bouquets, shows that there is clear potential to develop a wider range of foliage specimens and cultivars.

The Irish foliage industry should take advantage of this opportunity by putting in place an NPD process that identifies potential new products and assesses the likely consumer demand for these products. This process would maximise the sales potential of new products and significantly reduce the risks.

Christmas themed bouquets have been a major success for the Irish foliage industry. Other seasonal bouquets designed to build on the successful elements of the Christmas products should be offered to packers and retailers. This could result in a year round foliage bouquet offer.

Adding value to foliage by dyeing, glittering, scenting and snowing has produced new markets and sustained sales growth for the foliage industry. Irish foliage suppliers should continue to grow this category by continuing to explore new techniques and finishes.

The use of top designers and industry specialists helps the Irish industry to promote the use of foliage in both mixed bouquets and new concepts. This is especially useful when given the opportunity to present to retailers directly as, if the retailer is interested in the product, they can help ‘pull’ the product through the packer’s hierarchy and ensure the product gets to the market. The retailer (and the consumer in the case of consumer research) needs to be presented with the foliage product in a finished product as they are not always able to judge the value of a foliage product on its own.

There is an opportunity to further widen the range of flower and foliage products grown in Ireland by growing less hardy product in plastic tunnels to protect the crops from excessive wind and rain. The mild climate may give the opportunity to retailers to extend the season of products at a more competitive cost than product grown under glass. This would need to be further investigated.

Recommendations

The Irish foliage industry should conduct an in-depth piece of UK consumer research in order to understand the part that foliage plays with flowers for consumers and what consumers are looking for. This research will give the Irish growers a significant advantage over their competition and will help guide future development plans. The research should also provide clear evidence to the retailers and packers that consumers want, need and value foliage with their cut flowers.

The Irish foliage industry should set up a formal NPD process. This will help ensure that new product development is given focus and that the right steps are in place to guarantee a higher rate of successful launches. This process should include some element of consumer testing. Today’s new products should become tomorrow’s volume lines.

The Irish foliage industry needs help to implement the production of new products. These products by definition will be new species (rather than new varieties as in flower production or even food crops) and there is significant effort and cost associated with understanding how to cultivate and scale up to supermarket volumes.

Jacky Stephen

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I have been working as a consultant in the Cut Flower industry for the past 10 years. My clients have included Tesco, Asda, Co-op, Aldi, Somerfield, Musgrave, Interflora, Migros and Loblaw. I have also done work for most of the UK flower packers.

Prior to becoming a consultant I was the Category manager for Tesco Horticulture. I had started in the category in 1994 when Cut Flower sales were £22.5m and I oversaw the exponential growth of the supermarket share of the cut flower market. When I left Tesco in 2004 cut flower sales were £250m and Tesco outperformed their total market share (33% Flowers 30.6% Total market) .

I had also had buying roles in Tesco on Sandwiches, Prepared Salads and Vegetables, Wet Salads and Dressings.

I am a qualified accountant and have held roles in the finance departments at Tesco, Whitbread and Lloyds of London.