FLORAL INDUSTRY JOIN RESEARCH PROJECT: B2B ECOMMERCE

NOVEMBER 4, 2020
PARTICIPATING ASSOCIATIONS

American Floral Endowment
AFIF America's Flower Connection
Asociación Colombiana de Exportadores de Flores
CAL Flowers
Ellison Chair in International Floriculture
Teaching, Research, Extension and Service
Floral Marketing Research Fund
SAF Society of American Florists
WFFSA Wholesale Florist & Florist Supplier Association
• WF&FSA President

• Vice President, Procurement, E-Commerce, Quality Assurance and Marketing Services

DVFlora
DR. CHARLIE HALL

- Professor & Ellison Chair at the Department of Horticultural Sciences, Texas A&M University
- Hall of Fame and Honorary Lifetime Member of the Texas Nursery and Landscape Association (TNLA)
- Recipient of TNLA’s Award for Outstanding Service to the Nursery Industry
• The original RFP wanted to benchmark industry trends (driving forces) and identify the gaps in research needed to aid the industry.

• The research I am reporting on is concerning one of the gaps identified.
Driving Forces of Change

Dr. Melinda Knuth, Postdoc, University of Florida
Dr. Charlie Hall, Ellison Chair of International Horticulture Texas A&M University
Eight driving forces identified
(plus 6 causes for concern)

- Supermarkets - greater imports and consolidation
- Increased traction of the online floral channel
- Direct to consumer channel emerges
- Demographic shifts in knowledge and perceptions
- Advent of event, studio, & lifestyle florists
- Technology
- Spending on funeral and wedding flowers
- Supply chain logistics/transportation
Causes for concern

• The lack of relevant and timely data
• Tensions among industry participants
• Current inventory management practices
• Resistance to change
• The availability and retention of labor
• Lack of succession planning
Research GAPS

- Prevalence of B2B E-commerce
- Event/studio florist sector analysis
- Cross-sector profitability drivers
- NAICS sector inaccuracies
- Transportation & logistics
Why study ecommerce?

US e-commerce penetration, %

2009: 5.6
2010: 6.4
2011: 7.2
2012: 8
2013: 8.8
2014: 9.7
2015: 10.7
2016: 11.8
2017: 13.2
2018: 14.4
2019: 16
April 2020: 33

10 years’ growth in 3 months

Topics

- Type of firm, size, # of employees, etc.
- Perceptions of e-commerce
- Usage of e-commerce tools & technologies
- Omnichannel engagement
- Preferences as B2B buyers
Study methodology

- Survey conducted in early summer 2020.
- 306 responses
- 44% florists, 19% wholesale florists, 14.7% growers, 7.2% manufacturers & distributors, 5.9% importers, 5.2% online florists, 5 supermarkets, and 3 wire services.
How many brick and mortar locations do you have?

- None: 16.2%
- 1: 60.6%
- 2-5: 20.2%
- 6-10: 1.0%
- More than 10: 2.0%
Number of employees?

How many people does your company employ?

- 1-10: 44.0%
- 11-25: 18.5%
- 26-50: 12.0%
- 51-100: 7.3%
- 101-150: 3.9%
- 151-200: 1.4%
- More than 200: 12.9%

How many full-time, solely B2B e-commerce employees do you have?

- Part Time Employees: 68.4%
- 1-5 Employees: 30.4%
- 6-10: 1.8%
- 11-20: 0.5%
- More than 20: 0.9%
Years in business?

How many years have you been in business?

- 1: 3.0%
- 2-5: 7.1%
- 6-10: 7.1%
- 11-20: 23.2%
- More than 20: 59.6%
What Is Your Geographical Coverage?

- Local: 40.2%
- State: 2.1%
- Regional: 4.1%
- Domestic: 35.1%
- Intl.: 18.6%
Future e-commerce growth?

How much of your revenue 5 years from now do you expect to be derived from e-commerce websites that you own and operate?

- 0%: 8.1%
- 1-20%: 31.3%
- 21-40%: 25.3%
- 41-60%: 20.2%
- 61-80%: 11.1%
- 81-100%: 4.0%

US e-commerce penetration, %

5.6 6.4 7.2 8.0 8.8 9.7 10.7 11.8 13.2 14.4 16

10 years’ growth in 3 months

Source: Bank of America, U.S. Department of Commerce, Statista Research, Forrester Analytics, McKinsey Final Practice

E-commerce Trends
## Rate of usage?

<table>
<thead>
<tr>
<th>B2B tools / technologies</th>
<th>Seller (%)</th>
<th>Buyer (%)</th>
<th>Neither (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affiliate marketing</td>
<td>12.7</td>
<td>9</td>
<td>78.3</td>
</tr>
<tr>
<td>Analytics</td>
<td>32.4</td>
<td>19.4</td>
<td>48.2</td>
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<tr>
<td>Comparison engine feeds</td>
<td>16.4</td>
<td>15.5</td>
<td>68</td>
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<tr>
<td>Content delivery</td>
<td>36.8</td>
<td>15.7</td>
<td>47.5</td>
</tr>
<tr>
<td>Content management</td>
<td>37.3</td>
<td>15.9</td>
<td>46.8</td>
</tr>
<tr>
<td>Customer Relationship Management (CRM) software</td>
<td>26.4</td>
<td>12.3</td>
<td>61.4</td>
</tr>
<tr>
<td>Customers reviews</td>
<td><strong>42.8</strong></td>
<td>15.8</td>
<td>41.4</td>
</tr>
<tr>
<td>Customer services software</td>
<td>20.8</td>
<td>17</td>
<td>62.3</td>
</tr>
<tr>
<td>E-commerce platform</td>
<td><strong>45.7</strong></td>
<td>37.2</td>
<td>17.1</td>
</tr>
<tr>
<td>Email marketing</td>
<td><strong>54.2</strong></td>
<td>32.2</td>
<td>13.6</td>
</tr>
<tr>
<td>Enterprise Resource Planning (ERP) software</td>
<td>14.8</td>
<td>9</td>
<td>76.2</td>
</tr>
<tr>
<td>Fulfillment</td>
<td><strong>40.4</strong></td>
<td>19.7</td>
<td>39.9</td>
</tr>
<tr>
<td>Live Chat</td>
<td>17.7</td>
<td>16.3</td>
<td>66</td>
</tr>
<tr>
<td>Marketplace management</td>
<td>20.2</td>
<td>11.5</td>
<td>68.3</td>
</tr>
<tr>
<td>Mobile commerce</td>
<td><strong>42</strong></td>
<td>21.5</td>
<td>36.5</td>
</tr>
</tbody>
</table>
## Rate of usage?

<table>
<thead>
<tr>
<th>B2B tools / technologies</th>
<th>Seller (%)</th>
<th>Buyer (%)</th>
<th>Neither (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online advertising</td>
<td>42</td>
<td>21.5</td>
<td>36.5</td>
</tr>
<tr>
<td>Order management</td>
<td>43.6</td>
<td>31.2</td>
<td>25.2</td>
</tr>
<tr>
<td>Payment processing</td>
<td>46.5</td>
<td>36.1</td>
<td>17.4</td>
</tr>
<tr>
<td>Payment security</td>
<td>41.9</td>
<td>31.1</td>
<td>27</td>
</tr>
<tr>
<td>Personalization</td>
<td>34</td>
<td>16.7</td>
<td>49.3</td>
</tr>
<tr>
<td>Rich media</td>
<td>32.2</td>
<td>16.1</td>
<td>51.7</td>
</tr>
<tr>
<td>Search engine marketing</td>
<td>37.9</td>
<td>19.6</td>
<td>42.5</td>
</tr>
<tr>
<td>Security certification</td>
<td>34.6</td>
<td>21.6</td>
<td>43.8</td>
</tr>
<tr>
<td>Shipping carrier integration</td>
<td>24</td>
<td>23.1</td>
<td>52.9</td>
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<tr>
<td>Site design</td>
<td>46.2</td>
<td>27.6</td>
<td>26.2</td>
</tr>
<tr>
<td>Site search</td>
<td>36.5</td>
<td>27.5</td>
<td>36</td>
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<tr>
<td>Social media marketing</td>
<td>57.1</td>
<td>26.1</td>
<td>16.8</td>
</tr>
<tr>
<td>Web analytics</td>
<td>44.6</td>
<td>21.1</td>
<td>34.3</td>
</tr>
<tr>
<td>Web hosting</td>
<td>37.4</td>
<td>29.2</td>
<td>33.3</td>
</tr>
<tr>
<td>Web performance management</td>
<td>31.6</td>
<td>21.1</td>
<td>47.4</td>
</tr>
<tr>
<td>Website testing/optimization</td>
<td>26.8</td>
<td>19.5</td>
<td>53.7</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>2.2</td>
<td>97.8</td>
</tr>
</tbody>
</table>
Tools used by >50% of firms? (32 tools)

- B&M florists 2
- Online florists 22
- Supermarkets 15
- Wholesale florists 2
- Wire services 23
- Dom. Growers 5
- Int. Growers 3
- Importers 6
- Distributors 0
- Manufacturers 23
<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live chat</td>
<td>0.8%</td>
</tr>
<tr>
<td>Shopping Cart</td>
<td>2.1%</td>
</tr>
<tr>
<td>Bulk Pricing</td>
<td>1.7%</td>
</tr>
<tr>
<td>Automatic Reordering</td>
<td>0.4%</td>
</tr>
<tr>
<td>Video</td>
<td>0.4%</td>
</tr>
<tr>
<td>Intl. Shopping</td>
<td>1.7%</td>
</tr>
<tr>
<td>Product Config/Custom tools</td>
<td>0.8%</td>
</tr>
<tr>
<td>Links to Social Networks</td>
<td>4.7%</td>
</tr>
<tr>
<td>Customer Ratings/Reviews</td>
<td>5.9%</td>
</tr>
<tr>
<td>Recommended Products</td>
<td>5.1%</td>
</tr>
<tr>
<td>Advanced Search</td>
<td>2.1%</td>
</tr>
<tr>
<td>Detailed Content</td>
<td>7.6%</td>
</tr>
<tr>
<td>Mult. Languages</td>
<td>3.8%</td>
</tr>
<tr>
<td>Mult. Currencies</td>
<td>0.8%</td>
</tr>
<tr>
<td>Personalized Content</td>
<td>4.7%</td>
</tr>
<tr>
<td>Mult. Taxation</td>
<td>0.8%</td>
</tr>
<tr>
<td>Knowledge base center for custom</td>
<td>6.8%</td>
</tr>
<tr>
<td>Digital, Searchable Catalog</td>
<td>5.5%</td>
</tr>
<tr>
<td>Mult. Delivery Options</td>
<td>3.4%</td>
</tr>
<tr>
<td>Other</td>
<td>40.7%</td>
</tr>
</tbody>
</table>
## Payment methods

<table>
<thead>
<tr>
<th>Payment Methods</th>
<th>Do you accept the following payment methods on your website?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Payment Methods</strong></td>
<td></td>
</tr>
<tr>
<td>Credit/Debit Card</td>
<td>82.1</td>
</tr>
<tr>
<td>Checks</td>
<td>39.6</td>
</tr>
<tr>
<td>Cash on Delivery</td>
<td>38.7</td>
</tr>
<tr>
<td>Invoicing</td>
<td>41.2</td>
</tr>
<tr>
<td>Direct Bank Transfer</td>
<td>38.8</td>
</tr>
<tr>
<td>Customer Accounts</td>
<td>61.1</td>
</tr>
<tr>
<td>Paypal</td>
<td>33.5</td>
</tr>
<tr>
<td>Escrow</td>
<td>0.9</td>
</tr>
<tr>
<td>Other</td>
<td>10.1</td>
</tr>
<tr>
<td>Payment Methods</td>
<td>B&amp;M Florist</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Credit/Debit</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>95.0</td>
</tr>
<tr>
<td><strong>Checks</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>31.5</td>
</tr>
<tr>
<td><strong>Cash on Delivery</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>38.3</td>
</tr>
<tr>
<td><strong>E-invoicing</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>35.2</td>
</tr>
<tr>
<td><strong>Direct Bank Transfer</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>25.8</td>
</tr>
<tr>
<td><strong>Customer Account</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>62.4</td>
</tr>
<tr>
<td><strong>Paypal</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>36.0</td>
</tr>
<tr>
<td><strong>Escrow</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>12.5</td>
</tr>
</tbody>
</table>
1. Increased competition
2. A challenging marketplace
3. The marketplace is changing too rapidly
4. Other parts of the business have required my focus
5. Lack of internal e-commerce skills or knowledge
6. Ill-defined project rollout
7. Lack of financial resources
8. Lack of senior management support
9. Lack of organizational support
10. Unable to access skills or knowledge outside of the organization
11. Inflexible e-commerce solution
12. E-commerce software not focused on B2B needs
13. E-commerce design and adaptation for our needs was too expensive
14. Ill-defined strategy
15. Inability to integrate e-commerce into broader IT infrastructure
16. Changing regulatory environment
17. Other
Omnichannel components?

What are the components that make up your omnichannel strategy?

- Own Webstore: 30.5%
- Distr. Webstore: 6.2%
- Social Media: 37.1%
- Mobile App: 12.3%
- Email Marketing with Buy Buttons: 18.9%
- B2B Marketplace: 10.3%
- Call center: 17.1%
- Physical store: 29.9%
- Mail order: 6.4%
- Fax: 12.1%
- Other: 5.5%
Omnichannel tools used by >50% of firms

- B&M florists 3
- Online florists 2
- Supermarkets 0
- Wholesale florists 0
- Wire services 3
- Dom. Growers 0
- Int. Growers 0
- Importers 1
- Distributors 0
- Manufacturers 0
Expanded services

After introducing your B2B e-commerce platform, what are you able to do now that previously you couldn’t?

- Direct Sale: 20.5%
- Add. Rev.: 25.1%
- Expand Biz: 28.2%
- Sell Via 3rd Party: 11.0%
- Sell Wholesale/Distr.: 8.4%
- Not Sure: 6.9%
Channel conflict?

Does the potential for channel conflict prevent you from selling online?

- Strongly Disagree: 24.0%
- Disagree: 16.2%
- Neutral: 40.2%
- Agree: 15.7%
- Strongly Agree: 3.9%
What of the following features are you looking to introduce to help enhance your customers information gathering and purchasing experience?

- Simpler ordering/payment: 33.4%
- Easier navigation: 31.0%
- Better product images: 25.9%
- Detailed product info.: 24.8%
- Improved webstore speed: 23.1%
- Custom customer mgmt.: 23.3%
- Customized products: 17.8%
- Other: 1.5%
The mean amount of revenue transacted online went from 14.48% to 17.94% in 2019 to 24.45% in 2020. This has been bolstered by COVID-19 but it may be sustained.
Online SKU’s/orders

How many SKUs do you have for sale online each month?

How many online orders do you have each month?

How many online customers do you have each month?
Challenges

What are the challenges to the implementation of e-commerce in the floral industry?

- Slow Internet Penetration: 18.7%
- Security Concerns: 7.3%
- Lack of Trust: 15.2%
- Low Customer Awareness: 35.7%
- Other: 23.1%
Challenges

What are challenges to implementing e-commerce?

- B&M Florist: 3% slow penetration, 7% internet security, 43% trust lacking, 47% awareness
- Online Florist: 50% slow penetration, 50% internet security, 50% trust lacking, 50% awareness
- Wholesalers: 56% slow penetration, 44% internet security, 44% trust lacking, 44% awareness
- Domestic Grower: 11% slow penetration, 63% internet security, 26% trust lacking, 26% awareness
- Intl. Grower: 12% slow penetration, 50% internet security, 38% trust lacking, 38% awareness
- Importer: 12% slow penetration, 75% internet security, 12% trust lacking, 12% awareness
- Distributor: 50% slow penetration, 100% internet security, 50% trust lacking, 50% awareness
- Manufacturer: 50% slow penetration, 50% internet security, 50% trust lacking, 50% awareness
## Strategic views

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat disagree</th>
<th>Neither agree nor disagree</th>
<th>Somewhat agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B e-commerce is critical to developing a competitive advantage.</td>
<td>2.2</td>
<td>0.0</td>
<td>5.4</td>
<td>17.2</td>
<td>24.7</td>
<td>30.1</td>
<td><strong>20.4</strong></td>
</tr>
<tr>
<td>My company wishes to be considered a leader in digital selling within our market or industry.</td>
<td>5.4</td>
<td>6.5</td>
<td>5.4</td>
<td>20.4</td>
<td>20.4</td>
<td>22.6</td>
<td><strong>19.4</strong></td>
</tr>
<tr>
<td>Accelerating B2B e-commerce is a strategic priority of our company.</td>
<td>4.3</td>
<td>9.7</td>
<td>6.5</td>
<td>24.7</td>
<td><strong>24.7</strong></td>
<td>17.2</td>
<td>24.7</td>
</tr>
<tr>
<td>Our company is shifting to selling digitally faster than our competitors.</td>
<td>12.0</td>
<td><strong>17.4</strong></td>
<td><strong>7.6</strong></td>
<td>33.7</td>
<td><strong>24.7</strong></td>
<td>12.0</td>
<td>12.0</td>
</tr>
<tr>
<td>B2B e-commerce is a threat to our sales organization.</td>
<td><strong>20.4</strong></td>
<td><strong>30.1</strong></td>
<td><strong>9.7</strong></td>
<td><strong>26.9</strong></td>
<td><strong>7.5</strong></td>
<td>2.2</td>
<td><strong>3.2</strong></td>
</tr>
</tbody>
</table>
Are you using data from your e-commerce platform to support or manage key business drivers?

- Yes: 37.6%
- No: 62.4%

Varies by type of firm, number of employees, and if they are omnichannel.
As BUYERS, …

How frequently do you place online orders with your top 10 suppliers?

- Daily: 26.7%
- Weekly: 33.2%
- Bi-weekly: 9.4%
- Monthly: 9.9%
- Quarterly: 7.9%
- Yearly: 12.9%
As, BUYERS, ...

Legend:

1. Ability to track orders online
2. Ability to order through an online sales portal
3. Ability to manage returns online
4. **Ability to pay online**
5. Reference (customer) reviews
6. Offered automation
7. Online personalized buying experience
8. Product videos
9. Recommendations from co-workers
10. An EDI connection
11. Social selling
12. None of the above
As BUYERS, …

Do you prefer accessing the following information online or offline?

<table>
<thead>
<tr>
<th></th>
<th>Online</th>
<th>Offline</th>
<th>No Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Products (and parts) information</td>
<td>77.5</td>
<td>8.2</td>
<td>14.2</td>
</tr>
<tr>
<td>Inventory availability</td>
<td>77.3</td>
<td>7.4</td>
<td>15.2</td>
</tr>
<tr>
<td>Delivery details</td>
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<td>7.9</td>
<td>15.4</td>
</tr>
<tr>
<td>Pay invoices</td>
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<td>Payment terms</td>
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</tr>
<tr>
<td>Returns</td>
<td>50.7</td>
<td>20.8</td>
<td>28.4</td>
</tr>
<tr>
<td>Pricing and quotes</td>
<td>63.2</td>
<td>18.1</td>
<td>18.6</td>
</tr>
</tbody>
</table>
SUMMARY

• Usage of e-commerce tools & technologies is mixed among the sectors of the floral industry.

• Omnichannel engagement is increasing but is not as pervasive as most think.

• Preferences as B2B buyers should provide an impetus for more widespread B2B e-commerce adoption as sellers.
QUESTIONS