

# COVID GAMECHANGERS



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# The changing landscape of the floral industry in the pandemic era.

BY AMANDA JEDLINSKY AND JANICE RANDALL ROHLF

**T**he pandemic threw the floral industry into upheaval — shuttering businesses, straining the supply chain, and intensifying labor shortages — but it was also a tremendous boon for flower sales. Another silver lining: The pandemic helped drive change in an industry that's historically been reluctant to change, and spotlighted areas that could benefit from upgrades.

Economist Charlie Hall, Ph.D, stresses that now more than ever it is important to remain creative and flexible in the face of challenges that will continue for the foreseeable future. In his keynote address, "Searching for the End of Uncertainty," at the Society of American Florists' annual convention last fall, Hall pointed out that in business there is never a guarantee of certainty. "There will never be a time of perfect certainty," Hall says.

He emphasized how important it is for the industry to capitalize on its success by welcoming change. "We are at the top of our game, but there are a lot of challenges, and those challenges have to be met with a willingness to embrace change," Hall says.

The post-COVID floral industry has the opportunity to be more efficient, communicative and profitable depending on how it embraces changes. Some changes, such as price increases, are already happening. Other changes, especially those having to do with the supply chain issues and advances in technology, are likely coming.

### **Pent-Up Demand and Inflation Drive Prices**

Flower prices were steady for years, but they've begun to increase thanks to the economics of supply and demand. Hall expects prices to continue to increase this year. There is still pent-up demand for flowers, and inputs for growers are getting more expensive — a cost that will get passed down to retailers.

economic times of uncertainty. They simply absorb the higher costs, rather than have potentially unpleasant conversations with their customers," she says.

Consumers were accepting of the price increases in 2021. They were hearing a lot about inflation, "so it's almost like they're expecting to pay more," Hall says. The online bouquet-making sector saw five years of growth in one year, fueled in part by customers' acceptance of higher price points, Hall says. That sector's 2021 sales were up 44 percent, year over year, according to Hall.

When it comes to passing costs on to consumers, Hall drills down further. "We can anticipate that we're going to have to raise the price of our flowers — 11 percent to 13 percent at least — in order to compensate the entire supply chain for this inflationary pressure."

"Prices have to increase, just for the industry to survive," says Hall. "The supply chain can't absorb all of these input cost increases, like the cost of freight, so those costs are being passed down to the consumer."

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It is imperative for florists to adjust prices to protect their profit margin, says Corrine Heck, who as an event-producer recognized the need for an all-in-one software solution to help floral professionals manage costs, productivity and organization. Heck is the founder of Details Flowers Software.

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While some may worry that higher prices may frighten consumers, Hall says that focusing on the overall experience of buying flowers — from quality to convenience — adds value.

"If we don't value our product, how can we expect other people to value it?," he asks.

## Reconfigure the Supply Chain to Reduce Risk

From growers to importers and wholesalers to retail florists, no sector is left untouched by the disruptions to the supply chain. Flower availability has been affected by demand outstripping supply, weather issues and transportation logistics. Growers are seeing shortages of inputs such as fertilizers, vermiculite, and plastic containers. Importers of hardgoods have reported difficulty getting everything from baskets to wire.

The supply chain disruptions have forced professionals in the floral industry to plan further ahead. Meanwhile, some floral professionals are stockpiling hardgoods, and some growers fear they may be double ordering as a backup.

Frank Biddle, president of CalFlowers, board of directors, observes that growers are increasing production, but perhaps counterintuitively, that is not a solution to the demand. "The logistics chain is already stretched by the volume we have right now. Any increase in production is going to be that much more difficult to move." Biddle, who is also president and owner of Francis Biddle International, Inc. (FBI Flowers), and owner and CEO of Tradewinds International, LLC, has his finger on the pulse of numerous sectors within the industry.

One way the supply chain could change is through vertical integration, which brings portions of the supply chain under one company. Vertical integration, Hall says, "gives [businesses] a little more control over their own destiny." Hall expects that changes to the supply chain will make room for niche businesses.

One example of this type of integration is the recent partnership between Heck's software and Jet Fresh Distributors. The Miami-based importer, wholesaler and distributor announced in November that it was partnering with Details Flowers Software so customers could order from real-time availability and have orders shipped to Jet Fresh's strategic partners to ensure the flowers stayed in the cold chain until delivery.

Mike Black, president of Jet Fresh Flower Distributors, says he believes that these types of innovative practices will help the industry be more efficient.

"We're getting in on the ground floor," says Black. "I won't be surprised if systems like this can be integrated in the future with programs such as Komet Sales."

## Embrace Technology

"COVID made people jump into the deep end of the pool," says Alejandro Perez, CEO of Komet Sales, a web-based solution designed for the floral industry that automates procurement, sales and logistic processes. Businesses learned that, as Perez puts it, "If you don't have standard operating systems in place, the knowledge is all in a person's head, and when that person leaves, so does the knowledge."

That's an issue that David Legge, president of Denver Wholesale and a member of SAF's board of directors, saw in the company prior to taking over about three years ago. One of his first priorities as the new president was to develop a plan to upgrade the company to cloud-based technology for each of the company's 15 branches and implement an enterprise resource planning system. The upgrades will improve communication with customers and importers, collect data, and use that data to forecast sales.

The upgrades, completed last fall, have already helped the company streamline operations, Legge says. "Thank goodness we had this already

in place and going," he says. "[The pandemic] accelerated the need for it."

The industry needs more of that type of technology, Hall says. "I'm talking about linkages at every step in the supply chain to get to a demand planning, supply and sales forecasting, and inventory control management," he said during a panel session at SAF's convention.

Advancements in technology can range from basic website improvements to much more sophisticated innovations such as AI and CRM applications and fulfillment software.

Heck believes the future lies in the power of analytics. "If we can work together to share what we've learned, and spend dollars wisely, lowering margins on particular items when feasible, I believe it will help the floral industry at large," she says.

Technology can also help ease labor and other issues stemming from the pandemic. "The pandemic highlighted the importance of what we are doing," Legge says. 🌿

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