

# Why People Buy —

## Floral Market Forecast

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[www.unitymarketingonline.com](http://www.unitymarketingonline.com)



*Seeley  
Conference*



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# Times of Change Bring Big Questions

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Do you really know your consumer?

Do you offer what the consumer would like to buy but can not convince them  
you are right?

Is there a big disconnect in what we as an industry produce and offer for sale  
and what the consumer is looking for?

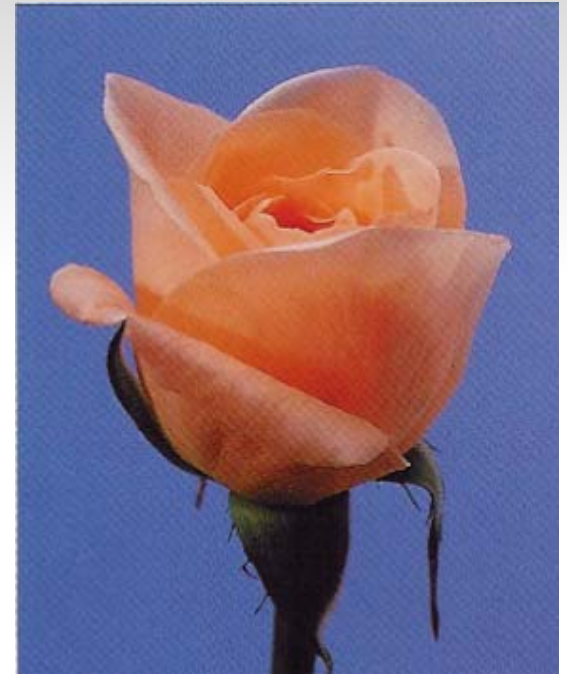
What will it take for floral products to remain relevant in the marketplace?

What human needs are being met by purchasing floral products and is the  
industry doing enough to address those needs?

Where are we failing to meet the needs of the consumer and how can we  
correct that?

"Our highest assurance of the goodness of Providence seems to me to rest in the flowers. All other things, our powers, our desires, our food, are all really necessary for our existence in the first instance. But this rose is an extra. Its smell and its colour are an embellishment of life, not a condition of it. It is only goodness which gives extras, and so I say again we have much to hope from in the flowers"

— Sherlock Holmes in *The Naval Treaty*



# Everything About Shopping Has Changed

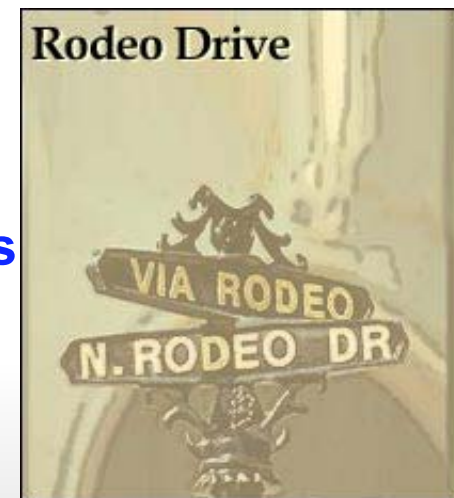
## 80's Decade of the Mall



## 90's Decade of Discounters



## 2000's Decade of Luxury



# What Do You Sell?

## What Does Your Customer Buy?

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Retailers and marketers create and sell things (i.e. Noun)

Consumers buy experience, feeling, ideas, happiness (i.e. Verb)

Are you selling to a need or a desire?

# Needs-Based vs. Desire-Driven Business

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Needs-based businesses operate on razor thin margins

Desire-driven businesses get X-factor boost to profit margins

How much do you charge for a feeling?

In luxury economy, value to consumer drives price

# Missing 5th P of Marketing

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Traditional 4 P's Marketing — Product, Price, Promotion, Placement

Missing 5th P — People



# Future Vision Secret #1—

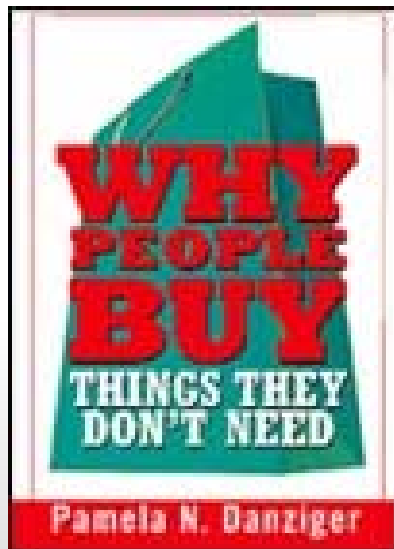
## Why People Buy

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Companies & stores sell things (i.e. noun)

Consumers buy experiences, feelings (i.e. verb)

Enhancing quality of life



# Future Vision #2

First the Rich Do It, Then Everybody Else

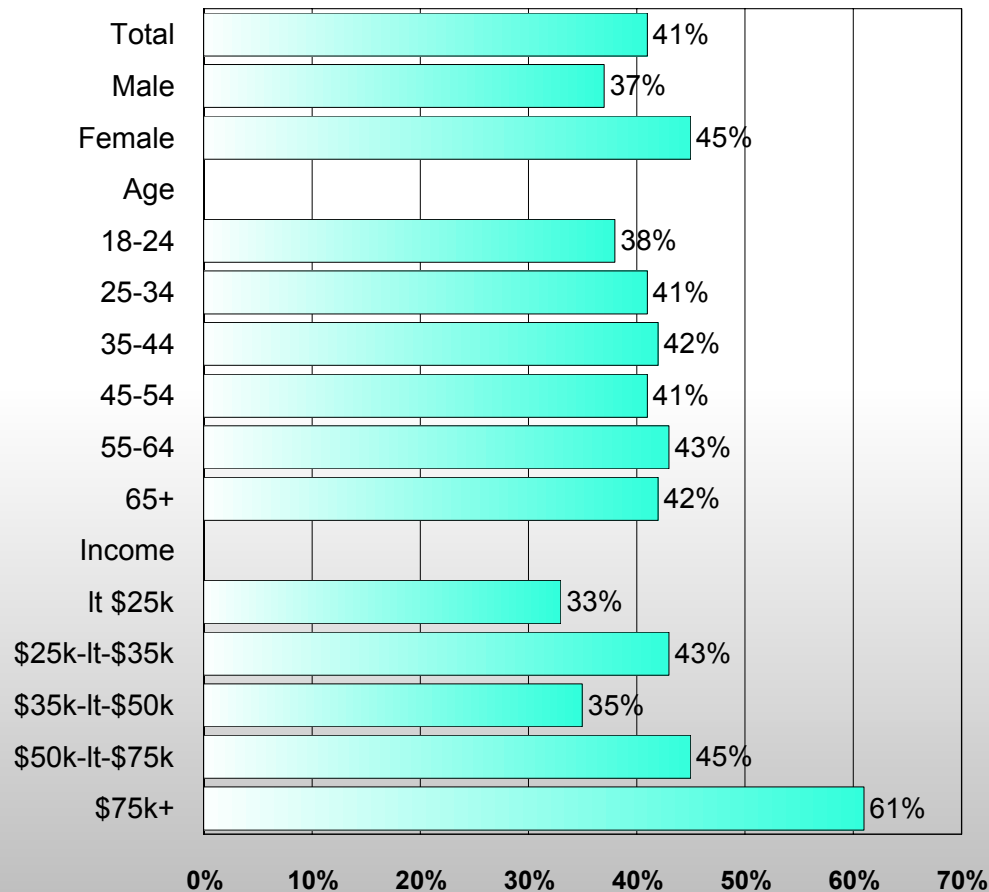


06 Modern Refinement



# Luxury Consumers Buy Most Flowers

Floral Consumers

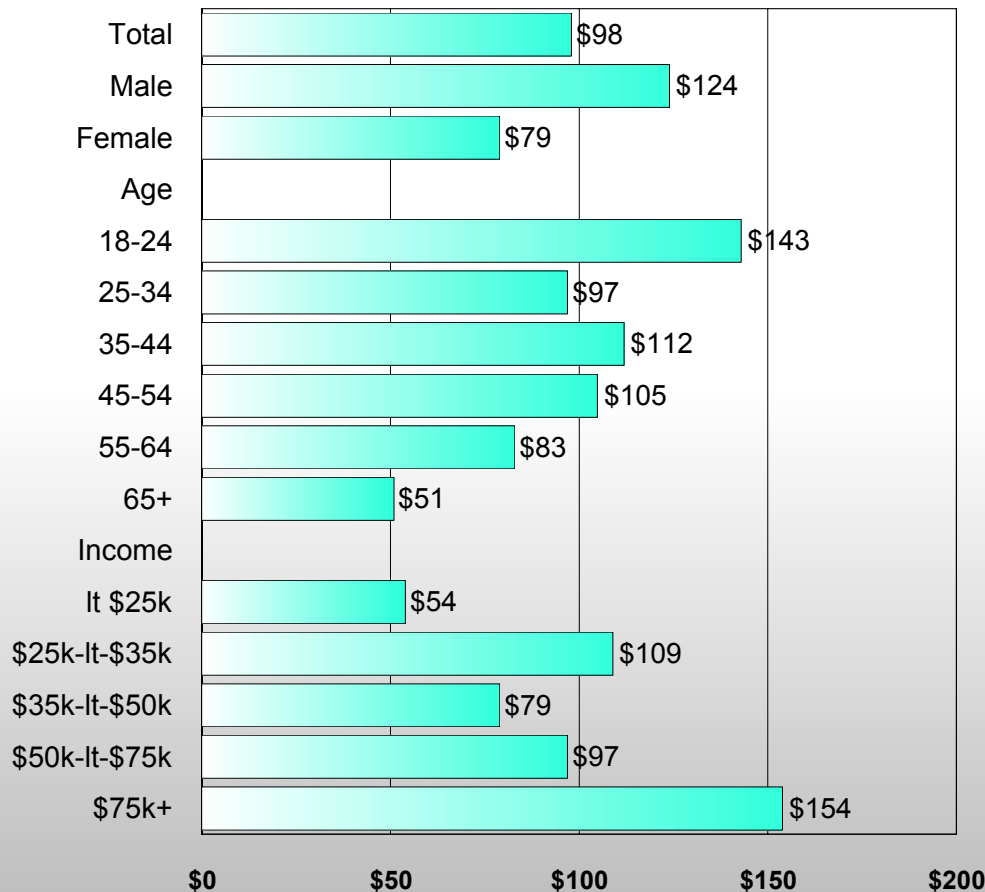


About 40 percent households bought flowers in last year

Key Demographic: High income households buy at 50 percent higher rate

# Luxury Consumers Spend Most Buying Flowers

Floral Consumer Average Spending



Floral buying household spends about \$100 per year

Men spend more (\$124) while women purchase more flowers —  
Women tend to buy cheaper flowers

Spending declines with age, while purchase incidence doesn't

Affluents spend 50 percent more than average buying flowers

Primary objective of all marketing is  
to sell more things to more people  
more often for more money

— Sergio Zyman

# Defining Luxury Market

Top quintile households, i.e. incomes \$75k and above (near affluents) — about 28 million, or about 25 percent of total

About 16 million with \$100k and above — 10.1 million affluents; 5.6 super-affluents

U.S. Households by Income in thousands	2002	% SOM
\$49,999 or less	63,057	57%
\$50k to \$74,999	20,315	18%
\$75k to \$99,999 (Near Affluents)	12,230	11%
\$100,000 to \$149,999 (Affluents)	10,073	9%
\$150,000 to \$199,999 (Super-Affluents)	2,977	3%
\$200,000 to \$249,999 (Super-Affluents)	1,154	1%
\$250,000 and above (Super-Affluents)	1,472	1%
Total	111,278	100%
Source: US Census		

# Affluent Growth Trends Positive through 2010

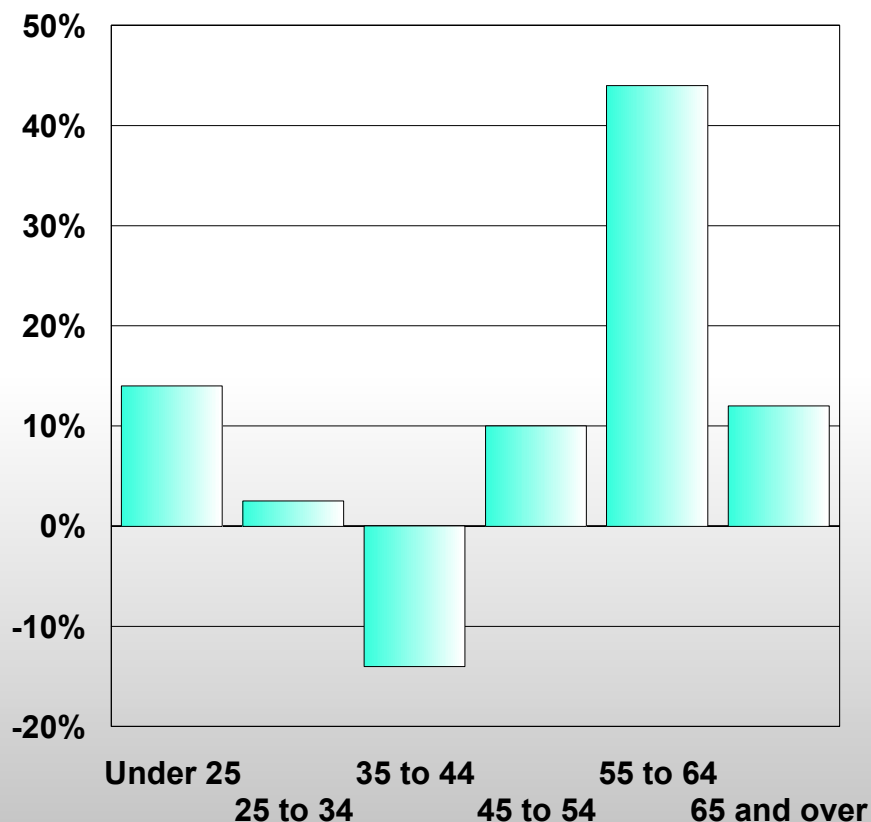
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"The growing number of affluent, graying of the population and the increase in empty-nesting households combine to produce a favorable outlook for the luxury, travel, entertainment, household furnishings and housing industries."

Conference Board, 2003

# Get It While It's Hot!

**Household Growth**  
2002-2010



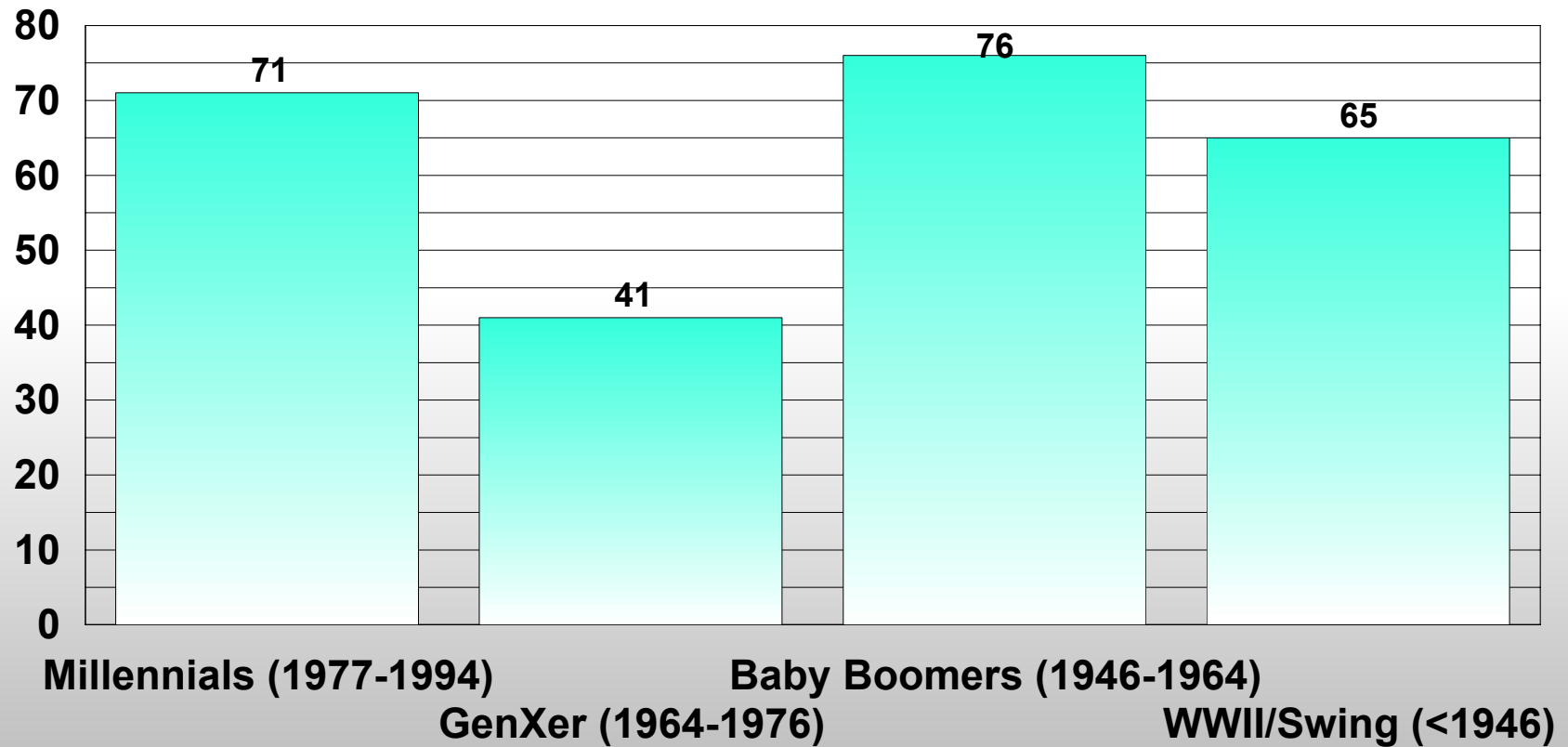
Source: Census Bureau and The Conference Board

GenXer's will never fill marketplace gap left by aging baby boomers

Conference Board predicts by the end of the decade (2010) GenerationX 'will have declined in relative importance and account for less than a quarter of the affluent.'

# Diverging Marketplace

## Consumer Generations



# Affluents Are a lot Alike

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Larger households (3.2 members), married couples

More workers (2.1)

Nearly all own homes and they own more cars (2.9)



Mostly white

High education levels (some or more college)

Middle aged (boomer generation)

# Affluents Make More, Spend More, Save More

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Affluent households have incomes 2.5 times larger than average

Spend only about 2 times as much as average

More money to save and invest

Highly motivated to protect standard of living



# Super-Affluents Are Luxury Marketer's Sweet-Spot

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Super-Affluents spend two-times more than near-affluents, 1.6 times more than affluents

Total market potential of near-affluents & affluents great than super-affluents

	Total Home Luxuries	Total Personal Luxuries	Total Experiential Luxuries	Total Projection
Near Affluents	24.1	11.7	16.9	52.7
Affluents	25.2	11.3	31.4	67.9
Super-Affluents	42.2	30.2	36.0	108.5
Total in billions	<u>\$91.6</u>	<u>\$53.3</u>	<u>\$84.3</u>	<u>\$229.1</u>

# Luxury Is in Perpetual Motion

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Masses 'trading up'

Classes reaching down for bargains

Everybody wants more 'specialness'



# Luxflation



Natural evolution of all luxury is from classes to masses

What was extraordinary becomes ordinary

Luxury marketers must continually deliver greater luxury value for new luxury fulfillment



# Luxury Definitions — Intrinsic & Consumer-centric



Two ways to define luxury:

Intrinsically — Attributes, qualities and features of the product 'Best of best' (Old Luxury)

Old luxury: Martha Stewart

Consumer-centrally — Experience of luxury from the consumers' perspective (New Luxury)

New luxury: Thom Filicia & Isaac Mizrahi

New & Old: Donald Trump

# Luxury Is a Verb



Luxury is experienced and felt, not something one has or owns

Imparting that feeling of specialness, privilege and freedom

# Be Best of Class in Any Class

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No matter where you are in price-continuum, you can enhance luxury value of what you are selling

Luxury brands must perform against consumer expectations

Key: Infuse brand and marketing communications with luxury/emotional/experiential values

Connect with the hopes, wishes, dreams, fantasies of your consumer

Not about the thing; it's about the experience

# From Things to Experience

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Companies & Retailers sell things (i.e. Noun) like plates and dishes



Consumers buy experience, feeling, ideas, happiness (i.e. Verb) like beauty, gifts to connect,



**"In the factory we make  
cosmetics, but in my stores  
we sell hope."**

**Charles Revson, founder of Revlon**

# Ultimate Luxury Challenge

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Transform your thing into an experience



# Why People Buy Flowers? Beautify Home and Home Entertaining

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Forecast: Mixed

Cocooning trend ends — new age of connecting

Consumers turn outward to reconnect with society

No reliable data on home entertaining



# Cocooning Was Very Good to Home Marketers

Personal Consumption Expenditures  
Home Furnishings in millions  
2001 to Proj. 2003

	<u>2001</u>	<u>Prelim 2002</u>	<u>Proj 2003</u>	<u>% Chg '01-'03</u>
Furniture	\$64,002	\$66,652	\$67,202	5.0%
Kitchen Appliances	\$36,119	\$37,356	\$37,959	5.1%
China, Glass, Textiles	\$34,059	\$35,465	\$35,304	3.7%
Other Household	\$66,355	\$68,983	\$70,352	6.0%
Semi-Durables	\$38,669	\$39,861	\$39,875	3.1%
Total	\$239,204	\$248,317	\$250,692	4.8%

Source: BEA, NIPA tables

Boomers just progressed through  
'cocooning' life stage

Entering empty nesting life stage

New priorities, more money

Will become harder to get consumers to  
invite purely decorative things into their  
homes

Personal and experiential luxuries take  
on new meaning

# New Paradigm: Enhancing Quality of Life

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New personal luxury positioning

Florals no long 'decorative accessories'

Florals that enhance quality of life

Focus — How they make me feel, not how they look

New Flowers = Happiness; Fading Flowers = Sadness

Opportunity: Breed for long-lasting display

# Why People Buy Flowers? Formal or Ceremonial Occasions

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Weddings, Funerals, New Babies, Get Well,  
Proms predictable

Forecast: Stable

As millennial generation (1977-1994) reaches  
age of first marriage, weddings should show  
boost



# Why People Buy Flowers? Gifting

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Forecast: Blooming!

Consumers are emerging from their cocoons

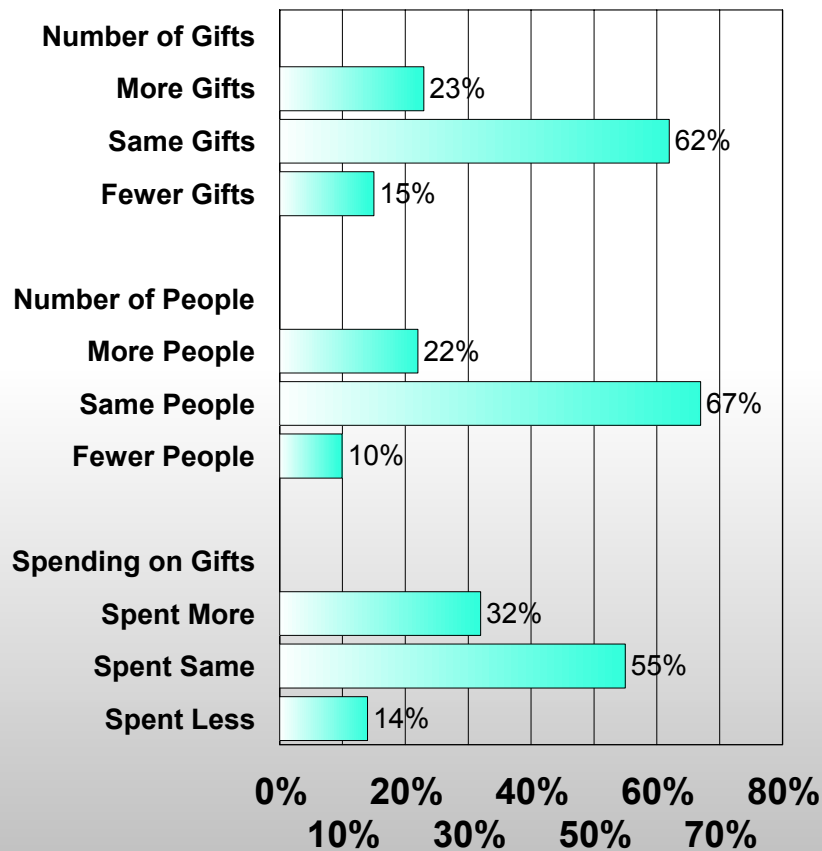
Turning away from overt materialism

Establishing connections with others through  
all forms and methods of personal  
communications

Connecting is anti-materialistic, life-affirming  
and active

# Gift-giving Reflects Connecting Trend

## Gift-giving Trends



More people are buying more gifts

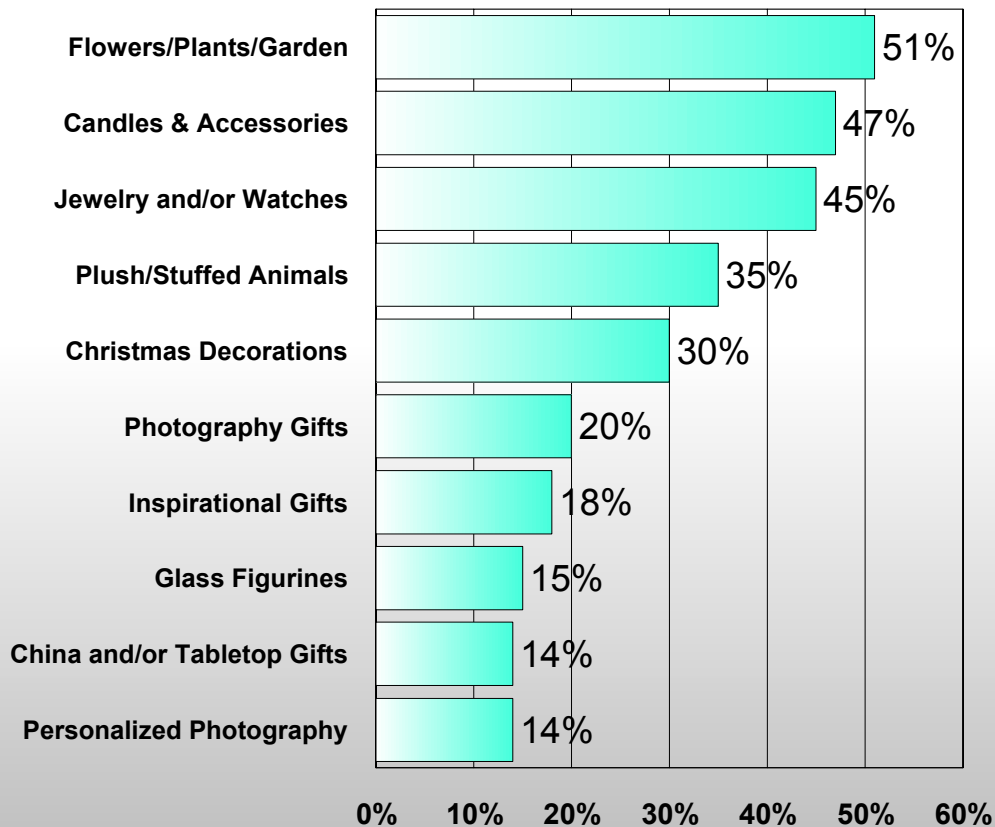
More people are adding more names  
to their gift lists

More people spending more money  
buying gifts

# Flowers Top Gift Choice

Flowers are #1 most popular traditional gift

Flowers Are #1 Most Popular Gift



# Strategy #1:

Focus on Enhancing the Gifting Experience

# Gift-giving Is Exponential Marketing



Touch two target customers at one time

More powerful than word-of-mouth

More potential to change shopping behavior than sampling



# Gift-giving Is Ultimate in Emotional Consumerism

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Gift connects the gift giver and recipient

Based upon emotion

Good gift is something the person would like, but not something they are likely to buy for themselves



# Giftng is 365 day opportunity

	Avg. Spending	% Share
Total Holidays	\$1,089	53%
Christmas	\$843	41%
Other Holidays	\$246	12%
Total Events	\$973	47%
Birthdays	\$349	17%
Other Occasions	\$624	30%
Total Gifting	\$2,062	100%

Christmas only 40% of annual gifting budget

Birthdays #2 most important gifting occasion

Other gifting occasions (baby, wedding, thank you, work, etc.) more important than all other gifting holidays combined

# Strategy #2:

How Can Florals Expand Beyond  
Holidays to Capture Bigger Share of  
Day-to-Day Gifting Opportunities?

# Maximize Gifting for Exponential Marketing



Gifting Strategy:

Have the right gift for the right person and the right occasion at the right price

Make flowers relevant for new market opportunities

# Success Strategy in Expanded Positioning — Right Hand Diamond Rings

Diamond ring market suffers from rigid traditions surrounding who buys and when they buy



Launch of the right hand strategy (Right hand is me; Left hand is we) created new, experientially driven market

Carrie (Sarah Jessica Parker) in Sex in the City helped

# DeBeer's Goals on a 'Beer' Budget?

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Focused PR campaign can transmit position shifting consumer messages

Media information gives consumers 'permission' to do something new and different

Strategic market research can give weight and validity to pr campaign

Give media the story and they pay the freight

# Big Opportunity # 1:

**Selling Tools, Equipment, Accessories  
to Enhance Consumer's Experiences**

# RedEnvelope.com Stresses Experience of Gifting



# Need more than Wine to have a Wine Experience



# Big Opportunity #2:

Retail Environments Need to Be  
Reconfigured to Enhance Experience

# Build-a-Bear Workshop Experiential Retailing

*"The bears are free; you only pay for the fun of creating them"*



# Kate's Paperie



**ZAGAT SURVEY**

**NEW YORK CITY SHOPPING**



**Most Popular**

Lots of our customers have asked to know how to find the best places to shop in New York City. The 50 places that appear below are in order of their popularity.

1. Bloomingdale's	16. Saks Fifth Avenue
2. Macy's	17. Bloomingdale's
3. Lord & Taylor	18. Bloomingdale's
4. Macy's East & Herald	19. Bloomingdale's
5. Bloomingdale's	20. Bloomingdale's
6. Bloomingdale's	21. Bloomingdale's
7. Bloomingdale's	22. Bloomingdale's
8. Bloomingdale's	23. Bloomingdale's
9. Bloomingdale's	24. Bloomingdale's
10. Bloomingdale's	25. Bloomingdale's
11. Bloomingdale's	26. Bloomingdale's
12. Bloomingdale's	27. Bloomingdale's
13. Bloomingdale's	28. Bloomingdale's
14. Bloomingdale's	29. Bloomingdale's
15. Bloomingdale's	30. Bloomingdale's
31. Bloomingdale's	32. Bloomingdale's
33. Bloomingdale's	34. Bloomingdale's
35. Bloomingdale's	36. Bloomingdale's
37. Bloomingdale's	38. Bloomingdale's
39. Bloomingdale's	40. Bloomingdale's
41. Bloomingdale's	42. Bloomingdale's
43. Bloomingdale's	44. Bloomingdale's
45. Bloomingdale's	46. Bloomingdale's
47. Bloomingdale's	48. Bloomingdale's
49. Bloomingdale's	50. Bloomingdale's

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NEW YORK  
Best Bets

WORKING  
MOTHER

BON APPÉTIT

BRIDE'S



# It's All About Connecting with Consumers

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About less talking and more listening

About giving more value rather than taking more money

About being involved with the customer rather than waiting for customer to get  
involved with you

About connecting with the community

About creating your business for your customers' needs