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The cut flower markets of Poland and Ukraine in the EU

Abstract: Distribution channels play an important role for the market. The cut flower market has big potential for development in such countries as Ukraine and Poland. In the article there outlined a comparison of distribution channels of cut flowers in European countries. A model of the distribution system was created which determined the main locations of flower trade in the European countries.

Key words: cut flower market, distribution channels, auction

Introduction

Development of the flower market depends on market segmentation. In other words, the place for selling product is important for market agents. That is why in this article is described research into the market segmentation of European countries.

Distribution channels play a very important role for a flower company. The paper compares distribution channels at the European flower market. It also shows the general model of distribution channels in the flower markets of Poland and Ukraine.

The role of wholesale markets and auctions is very important for the country. Many wholesale markets create their own web-sites where there is possibility to conduct online trading. Thanks to well-developed information systems this type of trading works very well and makes trade easier. Now sellers and buyers can easily find each other. They don't need to spend time looking for buyers and at the same time they reduce their needs for warehousing, which reduces costs.

If a company works with a certain type of product (for example, flowers), there could appear also problems with the time between product tracking from the buyer to seller. That is why it is very important for the seller to find a buyer as fast as possible in order to have fresh products.

Flower production is very specific and needs special care. Flowers should have special conditions for transportation and for warehousing. The development of effective distribution channels is very important in this case.

Research goal, research methods and materials

The main goal of the research is to create a model of the distribution system of the flower market. The second goal is to define the most popular place for flower trade in Europe.

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The following research methods were used: analytical observation of flower market activity in Europe and method of data analysis using statistical reports.

The following research materials were used: statistical reports of CBI and BTC statistics, wholesale institution and auctions.

Development of cut flower market in Europe

The majority of flowers on the European market are sold at the Dutch auctions. This system has big impact on trade because it includes the auction's long-distance buying system and other intermediary services. The flower trade is based on digital product images. The market also rates growers according to the quality level of their products. RFID tracing systems monitor the quality level of products such as delivery time, temperature and location.

The number of supermarkets is growing. That is why the market share of supermarkets in the sales of cut flowers also increased, as has the buying power of retailers. The cut flower market in Europe is diversified with many markets and florists. [CBI 2012]

For the most part, customers in Poland buy flowers from florists. The number of florist shops remains stable. In Poland, street vendors also play an important role. The cut flower market of Poland has grown significantly during the last years. Also the supply of locally produced flowers has increased.

The main characteristics and dynamics of the EU flower trade are the following [CBI 2012]:

- The Netherlands is the center of the European flower trade. The Netherlands auctions sell more than 50% of exported flowers in the EU. Auction is the central market place for sellers and buyers of cut flowers from all around the world to meet.
- The volume of direct trade is growing. Only 4% of the total number of companies create 50% of export turnover. The number of growers from developing countries which export directly to the EU market is increasing.
- There are two segments of the cut flower market:
  - Specialized market channel: This channel contains sales from florists, street and market stalls and others. The most important characteristic of this channel is that flowers are the main and dominant product at the market.
  - The unspecialized market channel: This channel contains supermarkets, petrol stations and DIY stores. The main characteristic of this channel is that flowers are a secondary product there.
- The Dutch Flower Group has annual turnover of more than 1 billion euro. It is the biggest wholesale market in Europe
- Below is presented the flower market segmentation according to geographical areas. These areas have specific behavior and consumption. They are the following[CBI 2012]:
  - Western and Northern Europe is the biggest single segment and such countries as Switzerland, the Netherlands, Germany, Belgium and France consumed the largest amount of cut-flowers per capita in 2011. Cut flowers were mostly sold in florist shops and supermarkets. In the UK, cut flowers were sold mostly in supermarkets. There is seen also slow growth because of the crisis.

- Southern Europe has a different tendency of growth. The cut flower consumption is going down. The flowers are sold mostly in florist shops and supermarkets.
- In the Eastern Europe segment, the main characteristics are: in such countries as Sweden and Finland the cut flower consumption increased. Mostly flowers were sold in florist shops. But also there has appeared development of garden centers in terms of market share.

The Flora Holland platform helps enter the European market. For this purpose they provide extensive service for companies. Exporting through the auction is needed if the company doesn't have any experience and knowledge of exporting directly to the EU market. In order to become trusted and long-term suppliers, it is required to focus on segment, market channel and range.

There are presented the main import countries which supply flowers to EU in Fig. 1.

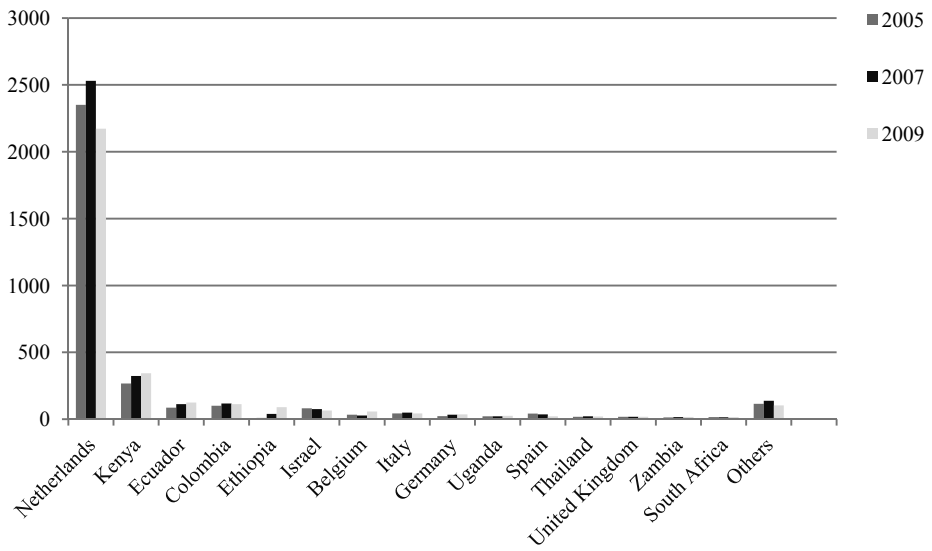

Fig. 1. The main suppliers of cut-flowers imported to EU, million Euro

Source: made by author using statistical data from report "The European Markets for Fair and Sustainable Flowers and Plants", [BTC 2010]

The main supplier of cut flowers in EU is the Netherlands. The second, third and fourth places belong to non-EU countries such as Kenya, Ecuador and Colombia.

Cut flower market's segments

In the specialized segment, the Dutch flower auction plays the main role. The wholesalers very often buy flowers there and then sell them to the European florists. There is a more diversified range of products at the specialized florists than at supermarkets.

Usually at florist shops it is possible more often to buy some specific types of flowers with higher quality than at the supermarket.

There are the following trends on specialized segment [CBI 2012]:

- Italy, Spain, France: most flowers are bought in florists
- Eastern Europe: florist market share is from 65-85%.
- Scandinavian countries: the market share of florists is going down.
- The importance of remote buying should also be mentioned. Thanks to a well-developed auction system the share of non-Dutch buyers is increasing at the auction. That is why it is important for the flower company at least to have accesses to the internet. The development of ITC is the second important thing which helps to lead company purchases.
- Information plays a very important role at the auction. Mostly there is found long-distance buying. In this case, grower's information is very important for the buyers. The correct information creates the reputation of the supplier and has influence on trade.

Considering unspecialized market the following trends are present [CBI 2012]:

- The major players are: Tesco (UK), Aldi (Germany), Carrefour (France), Royal Ahold (the Netherlands) and Suinsbury (UK). They have a big influence on the market.
- Unspecialized market segment increased in UK, the Netherlands, Germany and Scandinavian countries
- Certification plays an important role here. Here also exist additional requirements to growers connected with sustainable and social responsibility.

There is shown a big amount of imported flowers at the unspecialized market [CBI 2012].

Table 1. Comparison of distribution channels shares between EU countries, %

Distribution channels of cut flowers	Belgium	Denmark	France	The Netherlands	Germany	Italy	Poland
Florists	63	50	68	53	63	63	75
Supermarkets	13	27	14	19	13	7	5
Markets/Street sale	10	6	5	11	5	6	5
Garden Centers	5	3	4	6	2	3	5
Market Garden/Nursery	3	5	3	3	8	7	4
Kiosks	2	1	2	5	1	11	3
Building Centers	1	0	1	1	2	1	0
Others	3	8	4	3	5	2	3

Source: Market Intelligence: Cut Flowers and Foliage, [CBI 2012].

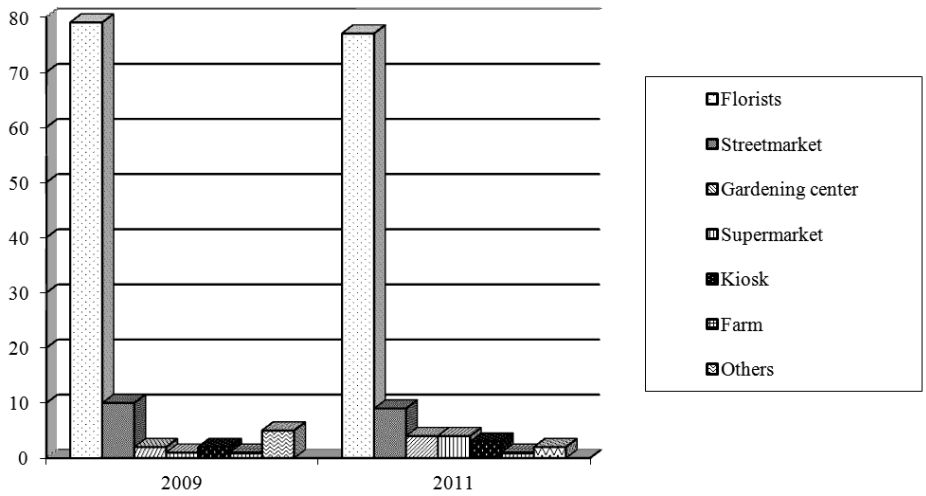

Fig. 2. Market share for cut flower in Poland per sales channels in %
Source: Market Intelligence: Cut Flowers and Foliage [CBI 2012].

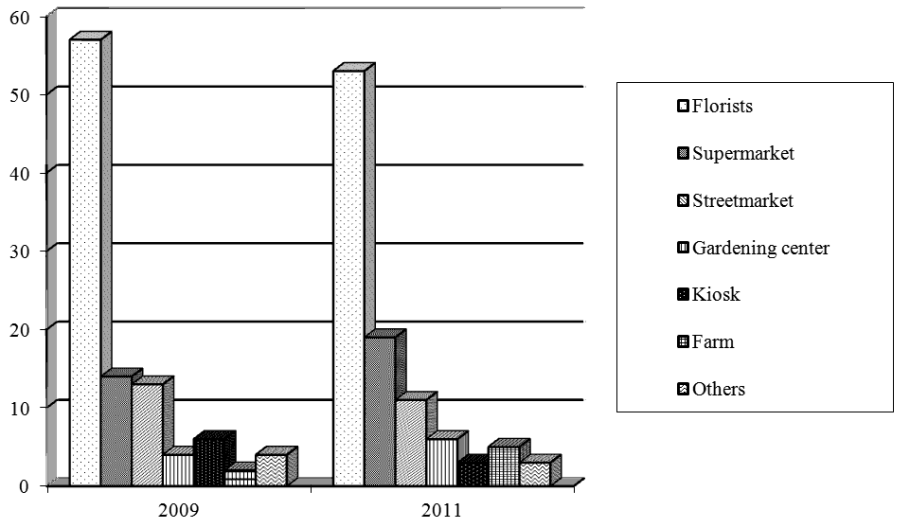

Fig. 3. Market share for cut flower in the Netherlands per sales channels in %
Source: Market Intelligence: Cut Flowers and Foliage [CBI 2012].

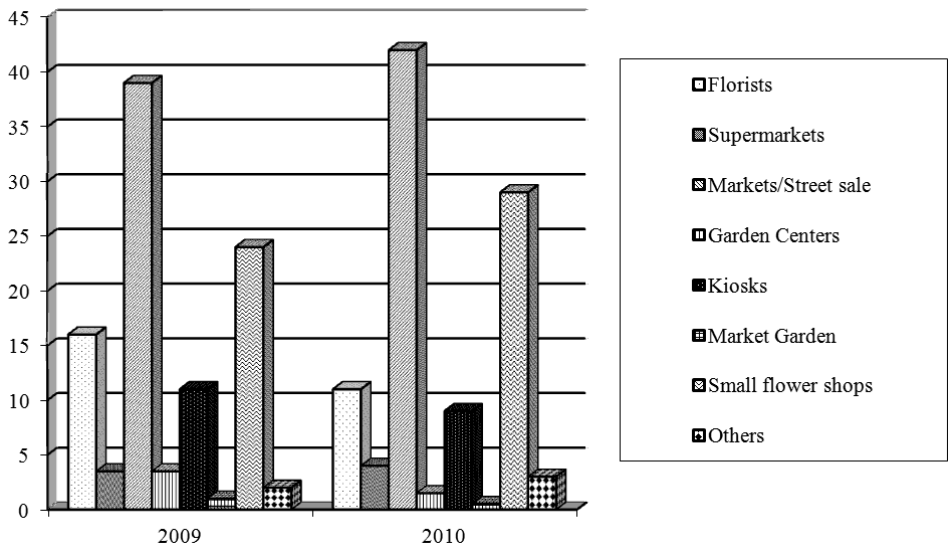

Fig. 4. Market share for cut flower in Ukraine per sales channels in %

Source: made by author using work of Solomacha I.V.[2011]

According to data presented in Table 1, most flowers are sold by florists in each EU country. In Poland the distribution channel "Florist" took 75 %, more rarely flowers are sold in kiosks. Also, supermarkets are not a popular place for buying flowers in Poland and Ukraine. More often flowers are sold by the supermarkets in such countries as Denmark (27%), the Netherlands (19%) and France (14%). In Italy the kiosk is also a popular place for buying flowers. Such distribution channels as "market and street sales" is the most popular in Belgium and Netherlands in comparison with other countries.

At the flower market of Poland the share of florists went down during the period from 2009 till 2011 (Fig. 2), but the share of supermarkets and gardening centers increased during these years.

At the flower market of Netherlands (Fig. 3) there is presented a small decrease of florist's share, but an increase in the share of unspecialized segment such as supermarkets during three years from 2009 till 2011. The number of street markets and kiosks went down. There was an increase in the share of farms as cut flower retailers.

In Fig. 4 are presented changes in market shares of distribution channels in Ukraine. In Ukraine, the florists don't take the biggest share on the flower market, as it was observed in EU countries. The most popular place for buying flowers is markets and street sales, the second one – small flower shops. The market segmentation between Ukraine and EU countries doesn't have many similarities. The number of street sales and small flower shops became bigger. The share of florists was decreased during one year from 2009 till 2010.

For entering the EU, a flower company can choose different ways. In this purpose there are presented the following methods of starting trade at EU market [BTC 2010]:

- Through the auction

- Through the import agents to the wholesale or auction
- Directly to the retailer (large supermarket chain)
- Directly to the wholesaler.

The model of distribution channels for flowers entering the EU market is shown on Fig. 5.

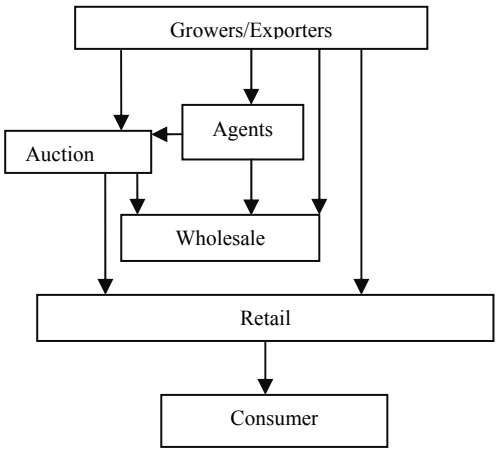

Fig. 5. Model of distribution channels for flowers entering the EU market

Source: The European Markets for Fair and Sustainable Flowers and Plants, [BTC 2010].

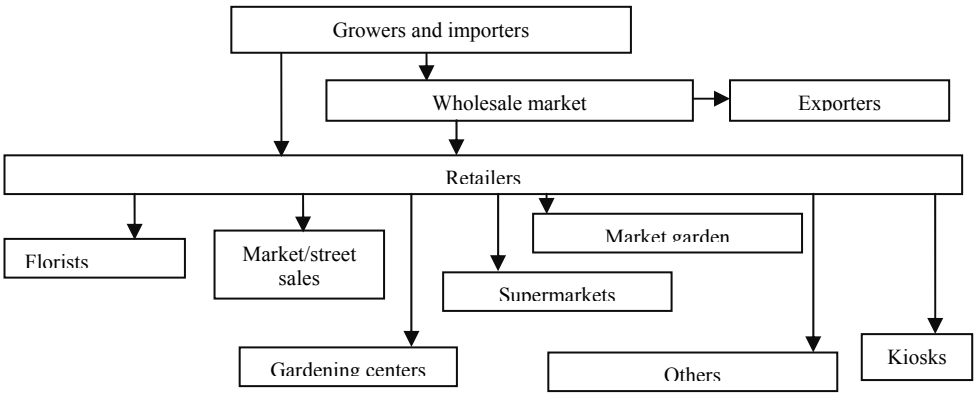

Fig. 6. The model of distribution channels system in Poland and Ukraine

Source: made by author using Jablonska L. [2007], Jablonska L. [1995, Perner L.[2008].

As was already mentioned in the article, flower production needs special conditions, which is why direct trade is very important to make it possible for flowers to stay fresh during long periods. Below is a table showing a model of distribution channels system in Poland and Ukraine (Fig. 6).

In Ukraine almost 90% of flowers came from import. There do not exist many domestic growers on the market. According to the model shown, at first growers and

importers bring flowers to retailers or to wholesale markets. After wholesale markets, flower products go to retailers or exporters. On the next stage retailers sell flowers to specialized and unspecialized segments such as florists, market and street sales, gardening centers, supermarkets, market gardens, kiosks and others. Then from these distributors flowers are sold to customers.

Internet flower shops as a prospective distribution channel for the flower market in Poland and Ukraine

Bringing products to the buyers immediately requires from sellers the so-called skill of "fast finder of buyers". As an example, we can take the Flower Auctions in Holland. Thanks to their information systems, buyers can even sell their products just directly from their home. There is no faster way for bringing together the buyer with the seller. Here members save their time. They can find each other faster, more transactions can be made and as a result – profit will be increased.

Such online trading should be introduced in countries such as Poland and Ukraine. Talking about ITC development it should be taken into account the number of internet users. Access to the Internet plays an important role for entering the EU cut flower market.

According to the statistical data in Fig. 7, Ukraine has the lowest share of internet users. The amount of internet users in Poland is higher at around 10 million. The difference is quite big, almost double. But anyway, there are also perspectives for Internet development in Ukraine, because the number of internet users is growing now. The biggest share of internet users belongs to The Netherlands. More than 50% of the population of each country as presented in the figure, aside from Ukraine, use the Internet.

Online trading gives advantages for the company such as quickly connecting sellers and buyers, trading just directly from the home or working place.

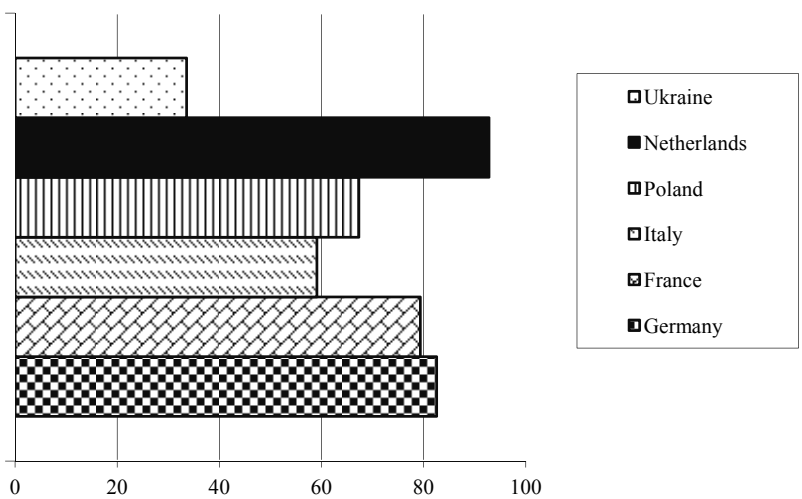

Fig. 7. The internet user share of population in European countries in year 2012, %

Source: made by author using statistical data from Internet World Stats [2013].

Conclusions

This article compared the development of flower market distribution channels between the most developed EU countries, Poland and Ukraine. The main goal of the research was to determine the main places for flower trade at the European market and create a model of distribution channels system for the Polish and Ukrainian flower markets.

The following conclusions were made:

- In Europe the share of unspecialized segments increased, especially for such distribution channels as supermarkets.
- Mostly in Europe flowers are sold by florists.
- The Netherlands are the center of European flower trade. Thanks to auctions, companies are able to lead their activity more efficiently.
- Information plays a very important role at the auction. It is an instrument of creating the company's reputation.
- In the developing country (Ukraine) the main place for selling and buying flowers is market and street sales. In Poland also street sales have become more popular nowadays.
- The flower markets in Poland and Ukraine have big potential for developing. As a model of development, the Holland auction should be taken as an example. Trading by auction gives a big advantage for traders: a decrease in transaction costs.
- The economic crisis creates a high level of uncertainty in the flower market, because many florists have liquidity problems. Supplying through the auction helps guarantee a more constant cash-flow. If a company wants to supply into the EU market it is better to start from the flower auction.

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