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A Study on the International Marketing and Branding Strategies of Taiwan's Phalaenopsis Orchid Industry



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Poster prepared for presentation at the Agricultural & Applied Economics Association's 2011 AAEA&NAREA Joint Annual Meeting, Pittsburg, Pennsylvania, July 24-26, 2011

Introduction

Background

- ❑ Phalaenopsis orchid is one of the flagship products in the quality agricultural development program in Taiwan.
- ❑ Among various floral species cultivated commercially, phalaenopsis occupies a central role because its export accounts for 50 percent of total floral export value.
- ✓ The value of exports in 2010 was nearly US\$ 82.6 million.
- ✓ Export grew 5% in spite of the financial storm in 2008.
- ✓ The growth rate reached 32% in 2010.

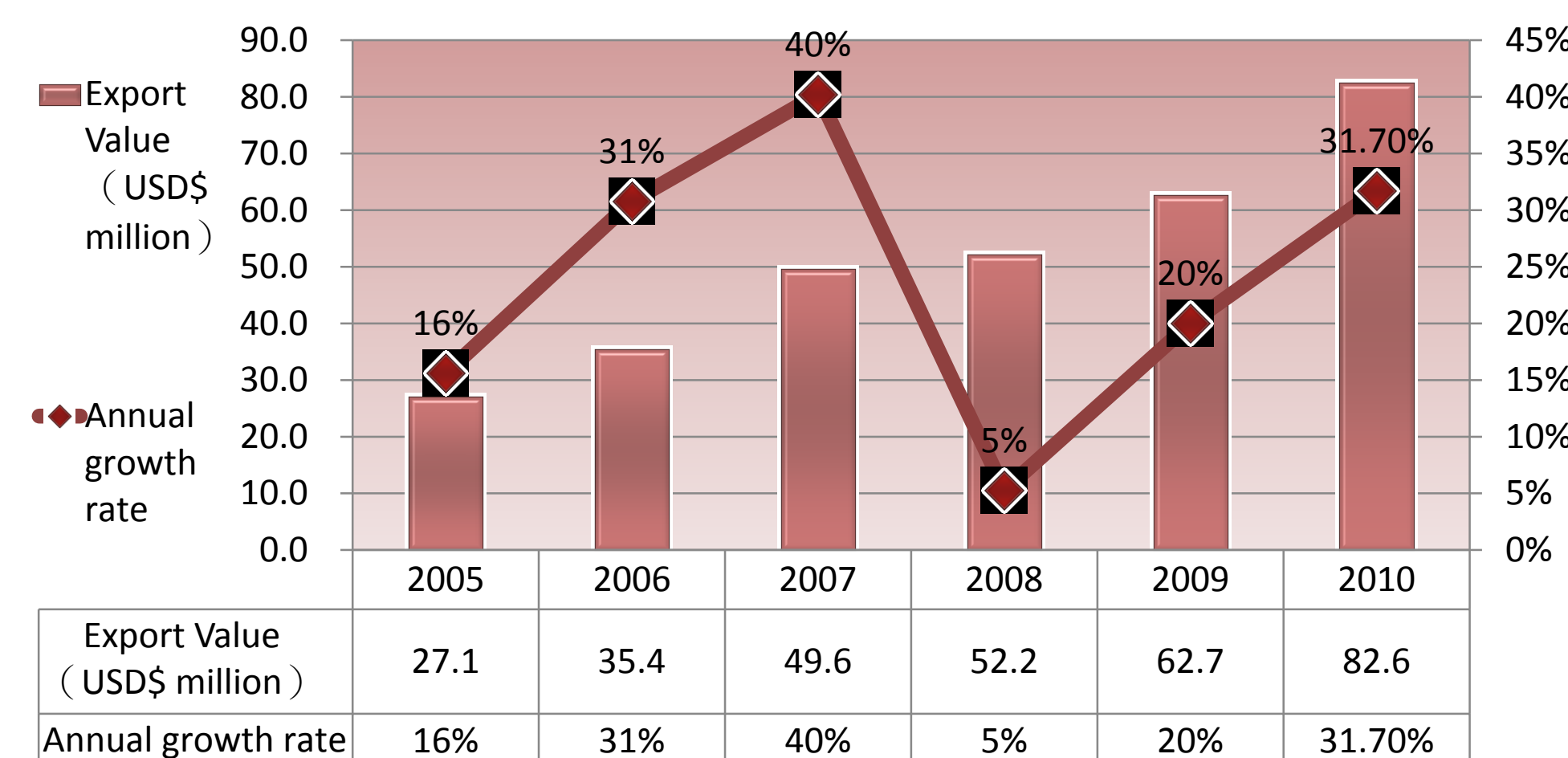
Threats and Weaknesses

- ❑ The market prospect is getting dimmer and riskier due to the fiercer competition from the Netherlands and China and the outbreak of the global financial crisis in 2008.
- ❑ Consumer demands in the major export are weakened by high energy costs and sluggish economic recovery

Key Factors for Sustainable Growth

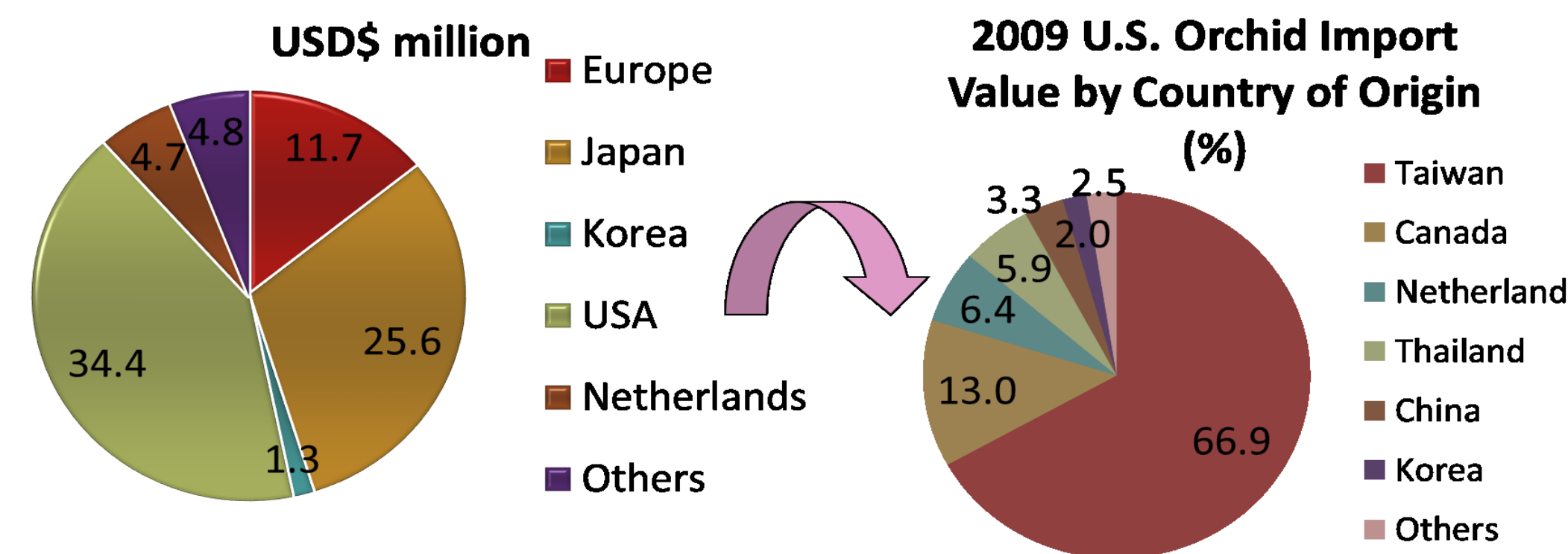
- ❑ Better quality control, long-lasting flowers, stable year-round supply, more choices in varieties, and healthy plants.

The Growing Export Market, 2005-2010



Export Share in 2010

The US and Japan accounts for 1/3 and 1/4 export share, respectively.



Japan and US market Trends

Japan

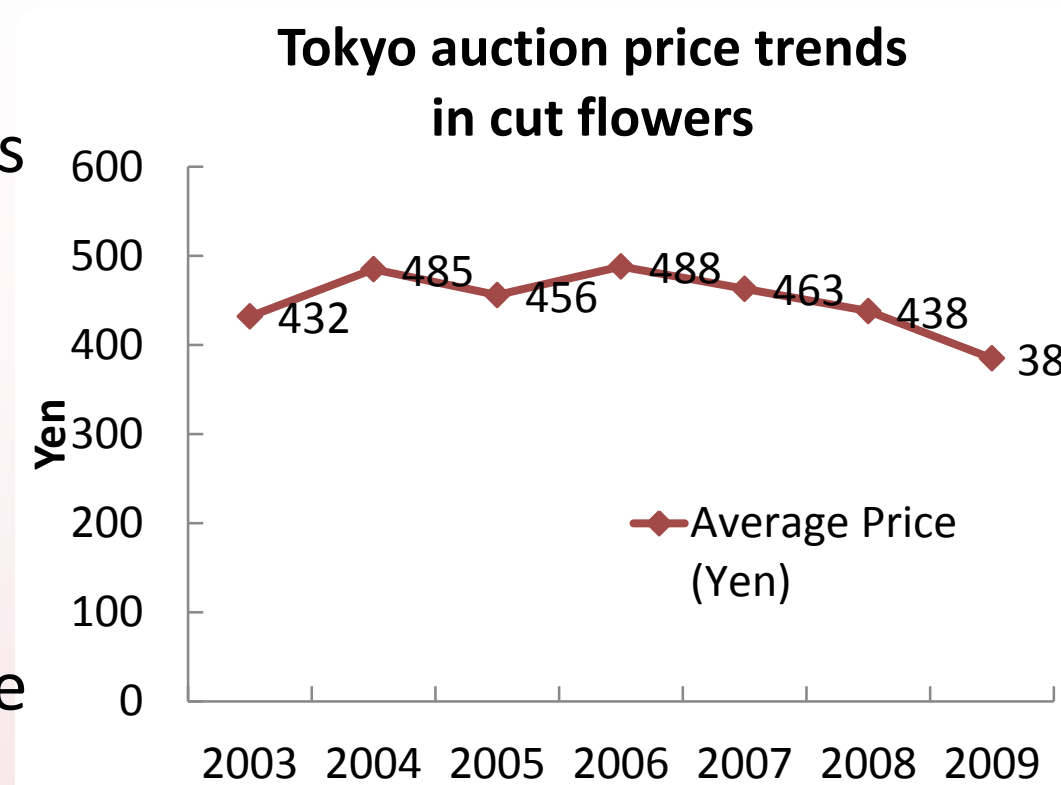
Auction price of phal. cut flowers and pot plants decrease 7.3% and 8.5% in 2007-2009.

Supply side:

Aging producers, High fuel cost

Demand side:

Lower demand, 2011 earthquake



US

Asian growers enter with low-price strategy

Dual Market:

Wholesalers/Outlets

→ for Large growers



Flower Shops

→ for Smaller growers



Strategies of Major Competitors

Netherland

1. Open and free competition
2. Global sourcing
3. Core breeding stayed home
4. Complete supply chain
5. Understand the demand of customers
6. High quality standard
7. Medium-small growers cooperate w/ each other
8. Joint-branding (e.g. Decorum)

China

- FDI from Taiwan and Dutch
- Pot Plants**
- Rapid growth from 2004
- Import grew 122%
- Export grew 1,388%
- Become net exporter since 2006
- Cut Flowers**
- Major export markets include: Japan(46%), Russia(21%), Australia(19%)

Taiwan Growers' Strategies in Different Markets

US Market

Contact with large commercial pot flower growers

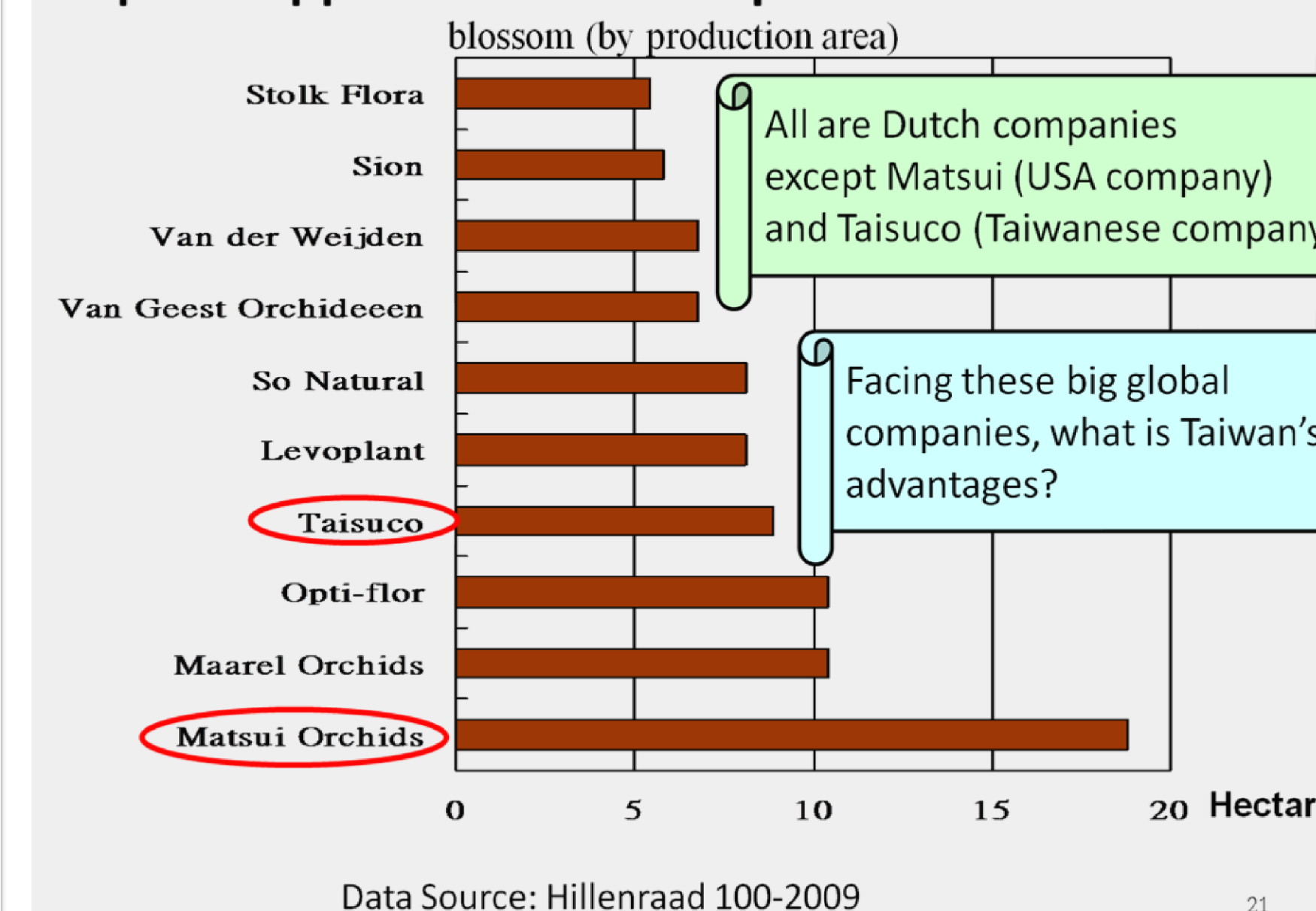
European Market

Differentiation and joint-branding for niche market

Asian Market

Auction and Partnership

Top 10 Suppliers of Phalaenopsis in the world



Branding Strategies

B2B Branding

→ Most large growers have B2B

→ **Keys for B2B:**

- Quality (low defect rate)
- Long shelf-life
- Stable supply Choice on variety
- Healthy plant



McLellan Botanicals of US
-Taisuco America of Taiwan

B2C Branding

→ Most large growers do not adopt B2C

→ Small/Medium growers keen on B2C to differentiate product as promotion strategy

→ **Major problem:**

- Quality control is difficult due to long supply chain.
- New variety creates new market, but squeezes business life



Conclusions

Government

- Improve national image through floral fairs/expo
- Ensure intellectual property right

Growers

- Leading in breeding technology
- Joint venture in B2B & B2C

