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Floral Product Marketing in Greater Los Angeles, California

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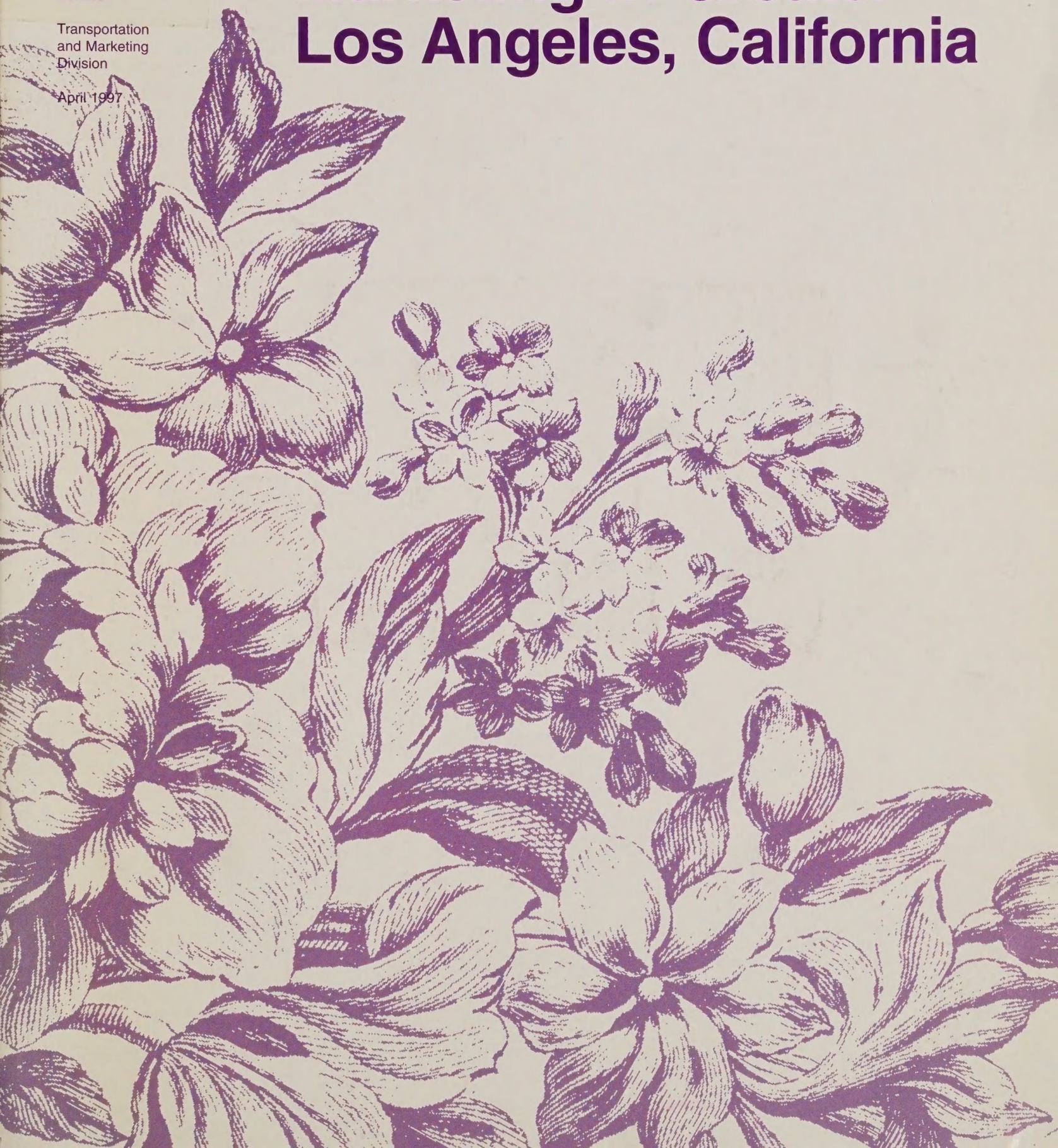

United States Department of Agriculture

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Wholesale and Alternative Markets Program

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Floral Product Marketing in Greater Los Angeles, California

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Contents

Summary

The floral products industry in the Greater Los Angeles area was surveyed to determine the nature and direction of changes in floral product marketing in southern California. Researchers focused on the impact the changes might have on the retail and wholesale segments of the industry. They also considered the relocation of the two wholesale floral markets on Wall Street, in downtown Los Angeles (figure 1).

Information presented in this report is based on extensive interviews with floral product growers, wholesalers, retailers, and importers. More than 100 individuals were interviewed. Additional information was gathered from four surveys: two targeting retail florists in the Los Angeles five-county area; one directed at wholesalers located in the Wall Street markets; and one targeting all growers of floral products in California listed with the American Florists' Exchange and selected growers in neighboring States.

Mass marketers are the fastest growing segment of the retail floral market. They cater primarily to the impulse market, while traditional retail florists target the affluent and niche markets, such as restaurants, corporate accounts, and the special occasion market, including weddings and funerals. Floral shops may have difficulty surviving unless they acquire business skills and market floral products aggressively.

The wholesale floral industry in southern California has changed from one dominated by a single wholesale market area, located on Wall Street in downtown Los Angeles, to one composed of numerous wholesale operations located throughout the Greater Los Angeles area. Interviews with retail florists and others suggest that no single wholesale market complex can serve the Los Angeles five-county area (figure 2) in the same way as in the past. Retail florists located in outlying areas with growing retail activity find it inconvenient to visit a centrally located market on a regular basis and depend on route men, local wholesalers, and growers for their floral supplies.

Interest in relocating the Wall Street markets dates back at least 20 years. Existing buildings are not conducive to efficient wholesale floral marketing activities, parking is inadequate, safety and security are a problem, and expenses are high. During interviews market management indicated that it is committed to relocating, while many of the wholesalers located in the Wall Street markets oppose relocation. Wholesalers are concerned about sales of floral products to the general public and the operation of an auction at the market.

Growers indicate there are few entrants into the floriculture industry, and despite the increase in imports of cut flowers, many will continue to produce the same floral crops in the future, with some growers shifting production to high-value specialty crops.

To survive, independent florists will need to enhance business skills and become aggressive marketers by encouraging walk-in traffic, accepting lower markups, keeping longer business hours, being more selective in choosing locations, and aggressively advertising and promoting floral products. Domestic floriculture growers face increasing competition from imports of cut flowers and some may need to shift production to high-value specialty crops.

Several well-designed regional markets, strategically located, may serve the needs of retail florists.

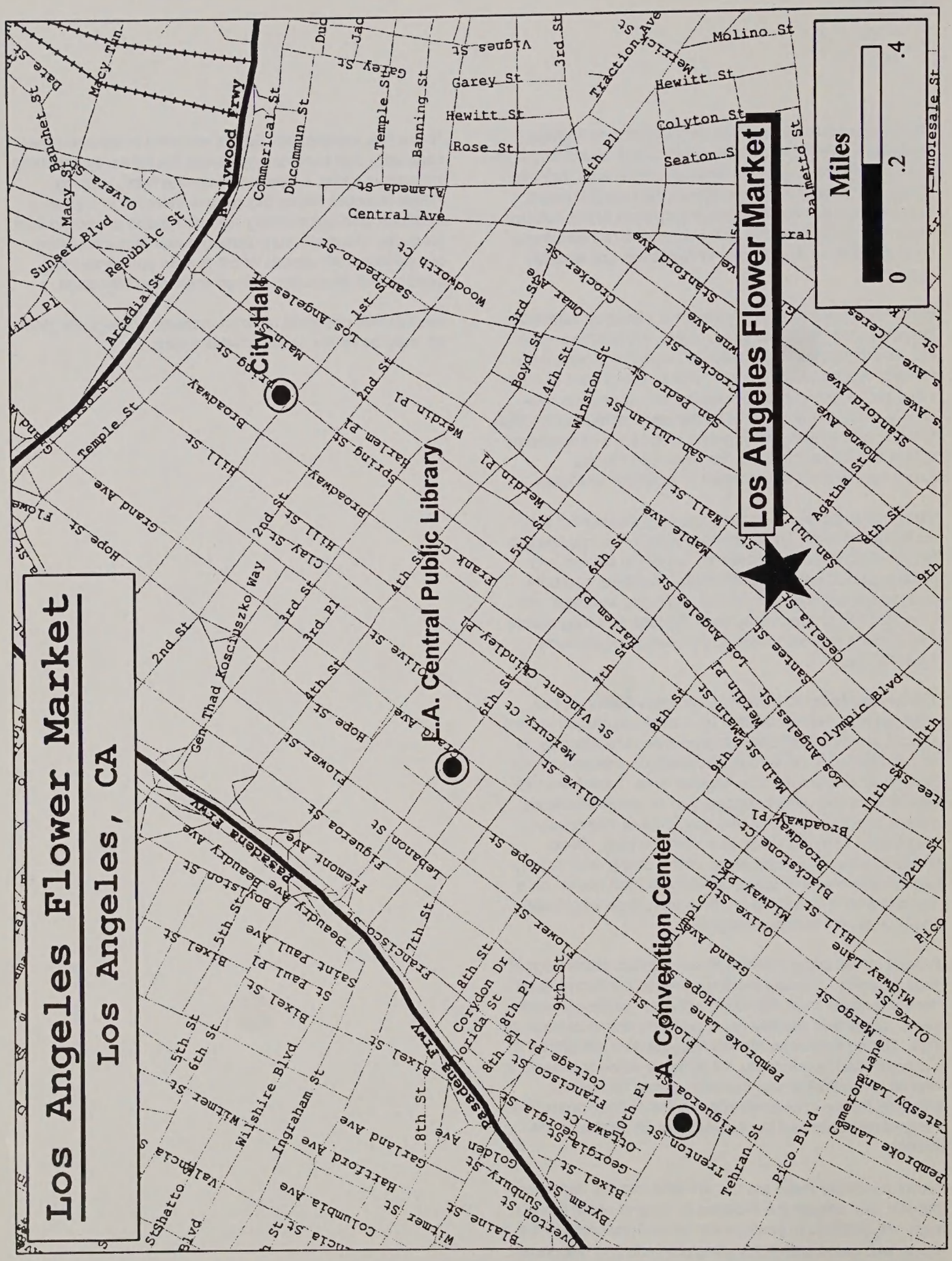

Figure 1. *Location of Los Angeles wholesale flower markets.*

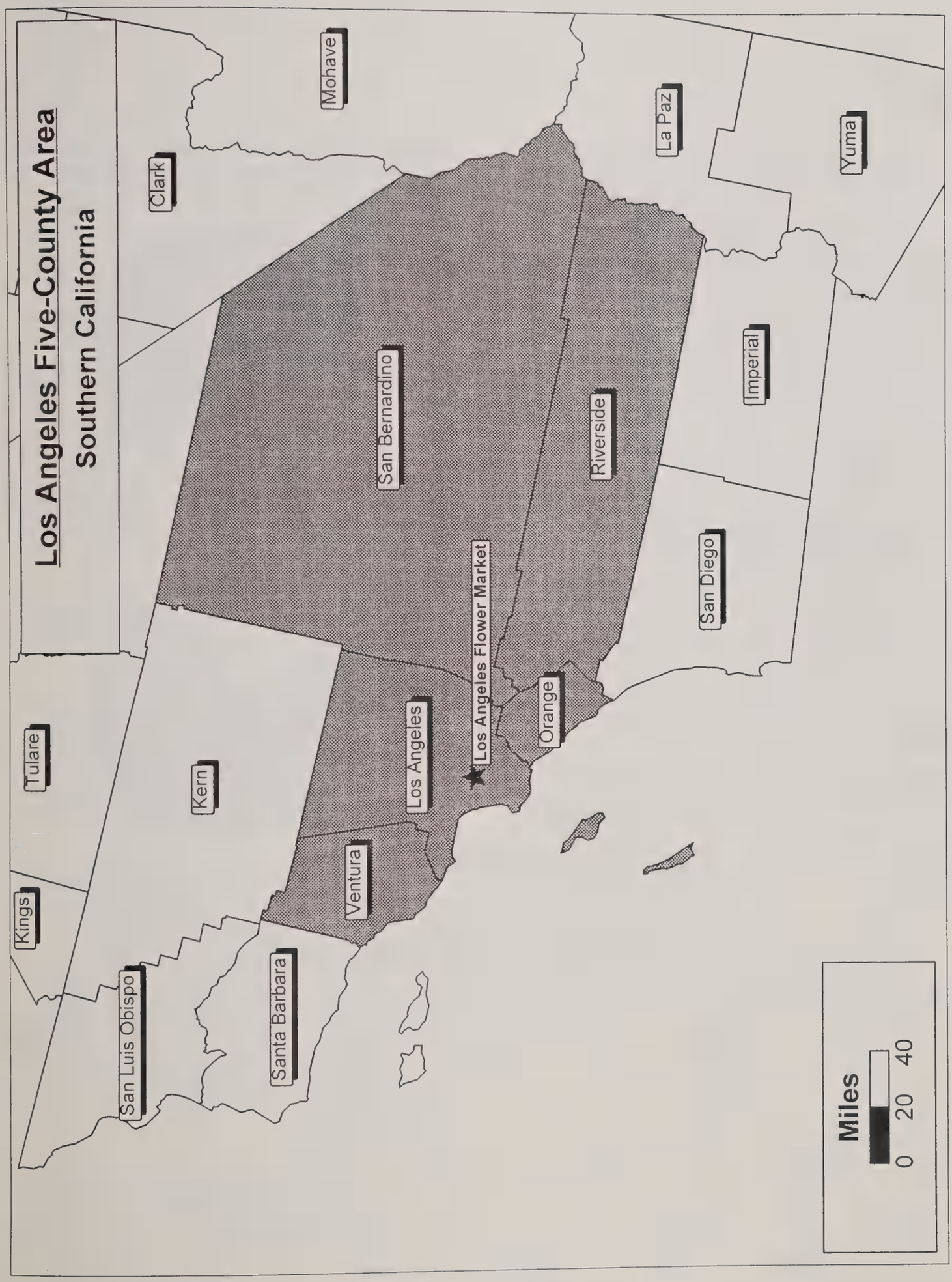

Figure 2. *Los Angeles five-county area.*

Introduction

The estimated value of expenditures for floriculture products in the United States is more than $13 billion per year and growing at the rate of about 6 percent per year.[1] California and Florida are the largest producers of floriculture products which include cut flowers, cultivated greens, potted flowering plants, bedding and garden plants, and foliage plants. All States produce commercial quantities of floriculture products. In 1995 California produced floriculture products with a wholesale value of $672 million and Florida produced $613 million worth. Total U.S. wholesale value of floriculture products in 1995 was $3.27 billion, an increase of about 15 percent from 1991 to 1995. Table 1 illustrates the wholesale value of floriculture products produced in the seven leading States.

Bedding plants are the largest and fastest growing segment of the floriculture industry in the United States. They accounted for 44 percent of the wholesale value of floriculture products sold in 1995 This was followed by potted flowers, 22 percent; foliage, 16 percent; cut flowers, 14 percent; and cut greens, 4 percent.

Cut flowers accounted for 39 percent, the largest share of the wholesale value of floriculture products sold in California in 1995, followed by bedding plants, 27 percent; potted plants, 19 percent; foliage, 13 percent; and cut greens, 2 percent. Figures 3 and 4 illustrate the share of wholesale value of each type floriculture product sold at the wholesale level in the United States and California respectively, in 1995.

The floriculture industry has changed considerably in the last several years. Production processes have advanced but the greatest changes have occurred in the marketing of floriculture products. This study focuses primarily on floral products, such as cut flowers, potted flowering plants, cut greens, and cut foliage sold by retail florists.

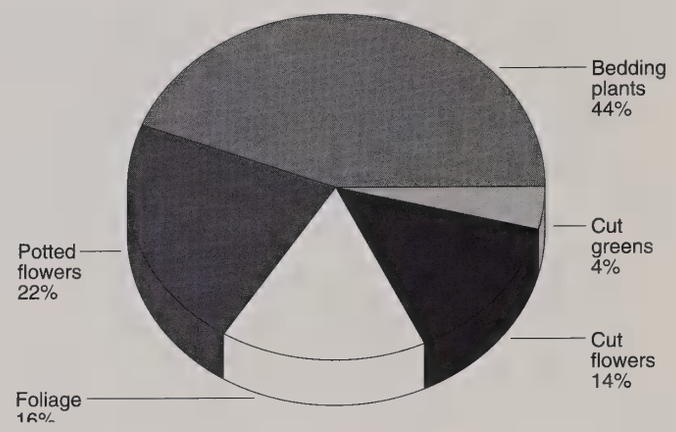

Figure 3. *Share of wholesale value of floriculture products sold in the United States, 1995.*

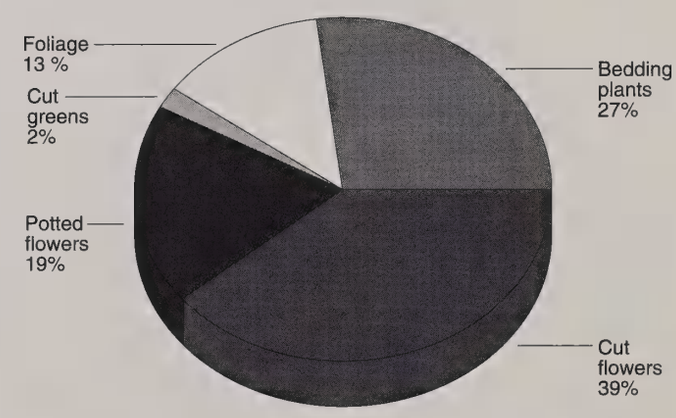

Figure 4. *Share of wholesale value of floriculture products sold in California, 1995.*

[1] Johnson, D.C., Financial Performance Trends and Economic Outlook for the U.S. Greenhouse, Turfgrass, and Nursery Industries, USDA Agriculture Outlook Conference, December 1993.

Table 1. *Wholesale value of floriculture products produced by leading States, 1991 and 1995.*

State	1991 (million dollars)	1995 (million dollars)	Change %
California	759	672	-11
Florida	529	613	16
New York	231	126	-45
Texas	139	180	29
Ohio	127	155	22
Michigan	126	185	47
Pennsylvania	100	114	14
Other	899	1079	20
Total	2910	3124	7

Source: USDA, National Agricultural Statistics Service (NASS), Floriculture Crops, Summary

Methodology

The floral products industry in the greater Los Angeles area was surveyed to determine the nature and direction of changes in floral product marketing in Southern California. Researchers focused on the impact changes might have on the retail and wholesale segments of the industry. They also considered the relocation of the wholesale floral markets on Wall Street, in downtown Los Angeles, to another, more suitable site. These two objectives are related since structural changes within the industry affect decisions regarding relocation.

Information presented is based on extensive interviews with floral product producers, wholesalers, retailers, and importers. More than 100 individuals were interviewed. Information gathered from the interviews was used in preparing this report. Additional information was gathered from four surveys, two targeting retail florists in the Los Angeles five-county area, one directed at wholesalers located in the Wall Street markets in downtown Los Angeles, and one targeted to all growers of floral products in California and selected growers in neighboring States.

Prior to developing the first survey document, extensive interviews were held with retailers, growers, wholesalers, and other floral market participants. These discussions helped formulate the questions included in the four surveys.

Retail survey I - The purposes of the first survey were to (1) identify wholesale purchasing behavior of retail florists, (2) evaluate alternatives for relocating the Wall Street markets, and (3) identify industry trends. The survey document was constructed with assistance from the managers of the Wall Street markets. Prior to distribution, the survey documents were pretested in several retail floral shops.

The survey was distributed to retail florists in the five-county area surrounding the city of Los Angeles (Los Angeles, Orange, Riverside, San Bernardino, and Ventura). The mailing list was provided by the American Florists' Exchange, Ltd. Questionnaires were mailed to 1,835 retail florists during the last week of September 1994. Of those, 134 were undeliverable (wrong address, no longer in business, etc.). A total of 345 usable responses were received, slightly more than 20 percent of the number of surveys delivered. Exhibit I, appendix A, lists the questions asked in the survey and the responses to the closed-ended questions. Exhibit II provides an analysis and summary of the written responses to "yes or no" and multiple choice questions.

Retail survey II - The second retail survey was sent about a year after the first. It was sent to the same population and relates to the issue of relocating the Wall Street markets. It corroborates the findings of the earlier survey, and provides valuable additional information. Respondents returned 262 usable questionnaires. Responses are listed in Exhibit I, appendix A1.

Wholesaler survey - Questionnaires were distributed to all wholesale firms located in the Wall Street markets during the week of October 10, 1994. Of the 90 distributed, 64 completed questionnaires (71 percent) were returned. They addressed three broad areas, including relocation of the Wall Street markets, attitudes regarding the concept of regional wholesale markets (as opposed to one single market), and Wall Street market operations. They were developed to obtain the wholesalers' perceptions about the Wall Street markets, the future of the wholesale business, sales to the public, and the auction system operating adjacent to the Wall Street markets. The survey questionnaires and responses are presented in appendix B.

Grower survey - A survey questionnaire was sent to all growers of floral products in California and to selected growers in neighboring States. The objectives of the grower survey were to gather general information about trends in the floral industry and to determine where and to whom growers sold their floral products. Survey questions and results from the 118 responses received are shown in appendix C.

Background

Major marketing changes, including direct selling and mass marketing, were beginning to manifest themselves in the early 1970's in the floral marketing industry. Direct selling refers to selling of floral products by producers directly to traditional retail florists, bypassing centralized wholesalers. Mass marketing is the sale of floral products through non-traditional florist outlets, such as supermarkets and wholesale clubs. Supermarkets and other mass distributors were making their presence felt in the cut flower market, and claims were being made that growing numbers of retail florists were bypassing wholesale markets by acquiring their products from other sources.

A USDA study conducted in the 1970's described the Wall Street market facilities, quantified and projected sales volumes, determined the feasibility of renovating existing facilities, and outlined costs and benefits of relocating and constructing new facilities.[2] The study also discussed industry direct selling and mass marketing trends occurring at the time.

The study concluded that the entry of mass marketers did not threaten traditional retail floral shops, and that the two competed in different segments of the floral market in a complementary relationship; mass marketers served the impulse-buying market, while traditional retail florists served the special occasion and holiday market. It also concluded that they could coexist by developing their respective market niches, and that entry of mass distributors could serve to expand the overall consumer market by making floral products more readily available, and thus, encouraging impulse sales.

The study investigated direct selling and the claim that growing numbers of retail florists were bypassing the wholesale markets located on Wall Street by acquiring their product from other sources. Market wholesalers claimed that fewer retail florists were coming on a regular basis to shop at the wholesale Wall Street markets and that retail florists had become increasingly dependent on deliveries for their floral supplies. These deliveries were made by market occupants and independent carriers (route men). The study concluded "the claim that retail florists were bypassing the wholesale Wall Street markets lacked validity," and that "wholesalers in the Los Angeles wholesale flower market supplied virtually 100 percent of the cut flowers and potted plants sold by florists in the Los Angeles five-county area." The report also concluded that the majority of retail florists were too small to deal directly with growers or importers, growers tended to specialize in a limited line of products, and a centralized wholesale market that offers a wide variety suits the needs of individual florists. Therefore, only mass marketers were seen as bypassing the wholesale market, and their failure to purchase through the markets was not consequential.

The Wall Street markets are wholesale floral markets that consist of nine separate buildings in a two-block area in downtown Los Angeles. Two primary organizations, the Southern California Flower Market, consisting of about 99 individual wholesaling businesses, and the American Florists Exchange, consisting of about 44 individual wholesaling businesses, occupy the two largest buildings on the site. Other independent floral wholesalers are also located in the area. Marketing functions are hampered by traffic congestion, lack of truck dock platforms, insufficient refrigerated space, and insufficient maneuvering space. These inefficiencies are costly to producers, wholesalers, retailers, and consumers. The report described the Wall Street market facilities as obsolete, deteriorating, inefficient, and located in a deteriorating part of the city. The report concluded they should be relocated and rebuilt. The problems identified in the 1976 USDA report, both with respect to the facilities and the immediate neighborhood, still exist.

A linear regression model with retail sales a function of annual per capita income (in both current and constant dollars) and population was used in the 1976 report to forecast the growth of retail floral product sales in the area to the year 2000. Replication of the forecast, using the same regression coefficients, but with actual (as opposed to forecasted) values for the independent variables produced the results in table 2. It shows that sales of cut flowers in the five-county Los Angeles area increased from 1975 to 1990 considerably more than forecast in the 1976 USDA study.

Some of the difference between predicted sales and actual sales occurred because both personal per capita income and population grew much faster than was reflected in the projections used. However, much of the difference is also attributable to marketing and other structural changes influencing retail sales.

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[2] Bange, G.A., An Analysis of Floral Wholesaling Facilities In Los Angeles, California, MRR-1042, USDA, 38 PP., 1976.

Over 100 individuals were interviewed to obtain information on trends in floral marketing. They included growers, wholesalers, retailers, importers, and truckers. The following assessment of the current market environment is based on comments from individuals interviewed and information received from responses to the surveys.

Traditional Retail Florists and Mass Marketers

Mass marketers (supermarkets) represent the fastest growing segment of the retail flower market. It is estimated they account for just less than a third of total retail sales. Many market observers believe this trend will continue.

Mass marketers continue to cater primarily to the impulse market and, for the most part, have not sought to compete aggressively in the special-occasion market. Some retail florists have done little to become effective competitors in the impulse market, but continue to dominate the high-price consumer and special occasion markets. It is also likely that mass marketers have broadened the market for cut flowers by making product more accessible and affordable.

The market share left to traditional retail florists is in danger of becoming less profitable. Competition from mass marketers, and from other types of vendors, has severely limited the clientele of the typical retail florist to the affluent, and niche markets such as restaurants, and corporate accounts, and to the special occasion market including weddings and funerals. Many industry experts believe retail florists will continue to survive and maintain a niche in the marketplace, but considerable doubt exists about the market's future ability to support the present numbers of retail florists.

Some supermarkets in the Los Angeles area, and throughout the rest of the country, have gone well beyond satisfying impulse demand. Some prepare special arrangements, some cater special occasions, a few deliver, some provide customers with access to wire services, and a few run full-service operations. Supermarkets have made major inroads into markets that were previously the domain of independent florists, especially in the potted plant, bouquet, and certain special occasion markets (Mother's Day, Valentines Day, Christmas, etc.). Their cost advantages, the high quality and uniformity of their product, and the convenience they offer to shoppers should help them not only hold on to these gains but continue to increase market share.

Retail florists surveyed seem to agree with this analysis. Surveys were sent to 1,835 retail florists in southern California to identify their responses regarding their wholesale purchasing behavior and floral industry trends. When asked whether traditional floral shops will have difficulty surviving in coming years, 35.7 percent of the 345 respondents strongly agreed, 38.7 percent agreed, 11 percent were neutral, 10.4 percent disagreed, and 4.2 percent strongly disagreed. When asked if consumers will increasingly make their floral purchases from supermarkets and other mass distributors, 22.5 percent strongly agreed, 40.8 percent agreed, 19.3 percent were neutral, 13.3 percent disagreed, and 4.1 percent strongly disagreed. When presented with the statement that in 10 years there will be significantly fewer independent floral shops in the Los Angeles area, 33.3 percent strongly agreed, 38.9 percent agreed, 17.1 percent were neutral, 7.4 percent disagreed, and 3.3 percent strongly disagreed. In response to the statement that supermarkets have helped their business by making

Table 2. *Comparison of projected and actual retail floral sales for 5-year intervals in the Los Angeles area, 1975 to 1990 (millions of dollars).*

	Current dollars			Constant 1976 dollars		
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Year	1976 Projected sales–Estimated population and income	1976 Projected sales–Actual population and income	Actual sales	1976 Projected sales–Estimated population and income	1976 Projected sales–Actual population and income	Actual sales
1975	56.808	75.31	69.956	48.27	54.45932	50.076
1980	68.158	130.43	148.898	55.61	72.97616	80.727
1985	79.861	184.92	240.003	63.37	92.07916	113.202
1990	91.512	234.26	353.336	71.059	109.3119	152.379

Columns 1 and 4 show projection estimates of floral sales, in millions of dollars based on the projected increase in population and per capita personal income used in the 1976 report. Columns 2 and 5 show projection estimates of floral sales in millions of dollars using actual population and per capita personal income. Columns 3 and 6 show actual sales in millions of dollars as reported by the State Board of Equalization, Research and Statistics Division.

the public more familiar with cut flowers and potted plants, 2.9 percent strongly agreed, 13.2 percent agreed, 19.7 percent were neutral, 28.4 percent disagreed, and 35.8 percent strongly disagreed.

While mass distributors have deeply penetrated many segments of the floral market and could make still further inroads, they are unlikely to completely replace traditional florists, particularly in the high-price segment of the market and in certain special occasion markets such as weddings and funerals. The study found that it is too costly for mass distributors to mount full service operations, especially in California with its high labor costs. Consequently, they are emphasizing self-service operations. Self-imposed retrenchment provides a measure of protection for independent retail florists.

Some industry analysts believe that the competitiveness of supermarkets is blunted by poor marketing. Floral products are generally marketed by the chain's produce division. If managed by individuals lacking extensive knowledge of floral products, the full economic potential of the floral department may not be realized. Products may not be positioned appropriately and not properly maintained. To mass marketers, floral products are but one of many lines competing for space, attention, and promotion.

On the other hand, supermarkets have an advantage because of the unique complementary nature of floral products and produce. To paraphrase a respondent's comment, "What can be more natural than for the shopper who is purchasing fruits and vegetables to pick up a bouquet of flowers along the way?" This is especially true if floral products are properly positioned, attractively displayed, of good quality, and well priced. In coming years, however, the supermarkets are likely to be challenged by discount stores and wholesale clubs. Retail florists, who are just getting into the business and still learning how to deal with perishable products, could become formidable competitors in a few years if they acquire sufficient business and marketing skills and are willing to work on substantially lower margins—10 to 20 percent, versus 40 to 60 percent received by supermarkets.

Retail Florist Survival

Independent retail florists are typically small, "mom and pop" businesses. Nearly 60 percent of 262 respondents to the second retail survey reported gross annual sales of $250,000 or less, and 85 percent claim sales of less than $500,000. Only 5 percent of the respondents reported sales in excess of $1 million. More than two-thirds of independent retail florist businesses are sole proprietorships, and less than 20 percent are incorporated. Eighty-five percent report having only one location.

Some survey respondents indicated that they believe their numbers may significantly decline over the next 5-10 years. They indicated they expect traditional floral shops, as a whole, to experience difficulty surviving in coming years, but are quite optimistic about their own survival; 63 percent expect to be operating their shops 5 years from now. This optimism may reflect the fact that 77 percent of retail florists surveyed have owned their business for 6 or more years.

During interviews some industry observers expressed the view that prices of floral products sold by retail florists are too heavily marked up, resulting in loss of market share to mass distributors. With less business, some florists set high markups to cover fixed operating costs. However, higher prices sometimes result in fewer sales. Observers believe florists might attract new business, if floral products were offered at more affordable prices and at price points consistent with inducing impulse sales. For example, besides offering floral arrangements, florists might consider selling unarranged bunches of cut flowers at relatively low cost, as is done throughout Europe.

Lost impulse market share, including popular green plants, Christmas poinsettias, Easter lilies, and corsages for Mother's Day and Easter, has resulted in lower sales volume in these segments where profit margins are relatively high. Moreover, these high profit margins make the typical florist vulnerable to new kinds of retail outlets, such as street vendors, corner kiosks, retail chain outlets, and franchise operations.

Loss of market share to mass distributors might be regained if independent retail florists changed business practices and upgraded marketing skills.

There are many strategies retail florists can employ to regain market share or, at least, to limit further losses. Good location is critical. Also, products could be displayed outdoors, weather permitting, to make floral shops more inviting and consumer-friendly. Browsing should be encouraged. Weekly specials might be advertised. Retail florists might also consider operating kiosks in shopping centers and other locations where there is active walk-by traffic. Florists might stake out a position in the impulse market by cultivating new market niches. They could also maintain longer business hours to better accommodate consumers and be creative in advertising and promotional activities.

Wholesale Floral Market Facilities in Southern California

The wholesale floral industry in southern California has changed from the single wholesale market area on Wall Street that overwhelmingly dominated the wholesale trade

throughout the five-county area 20 years ago. In addition to the Wall Street markets there are now numerous independent wholesale operations throughout the Greater Los Angeles area. Also, a major market facility, similar to the Wall Street markets, has developed in Carlsbad, north of San Diego. Additionally, mobile wholesalers (route men), and to a lesser extent local growers, have become important factors in providing products to the retail sector.

While the Wall Street markets remain a major factor in the distribution chain, and are still the single most important source of products to retail florists, these florists are less dependent on the Wall Street markets than in the past and have a variety of purchasing options. Some buy mainly from local wholesalers, but for special events and occasions such as Mother's Day and Christmas purchase from the Wall Street markets where the selection is better and they can purchase the quantity of product they need. When retail florists were asked to identify where they bought their floral products, 60 percent indicated the Wall Street markets, but 41 percent also identified local wholesalers, and 39 percent said route men. Nineteen percent reported that they buy directly from growers. Percentages, when totaled, exceed 100 percent because many florists are purchasing from a variety of sources.

When retailers were asked during the first retail florist survey to identify the share of their weekly floral purchases made at the Wall Street markets, 28 percent indicated they bought nothing, 20 percent bought less than 35 percent, 24 percent bought between 35 percent and 85 percent, and 28 percent bought 85 percent or more.

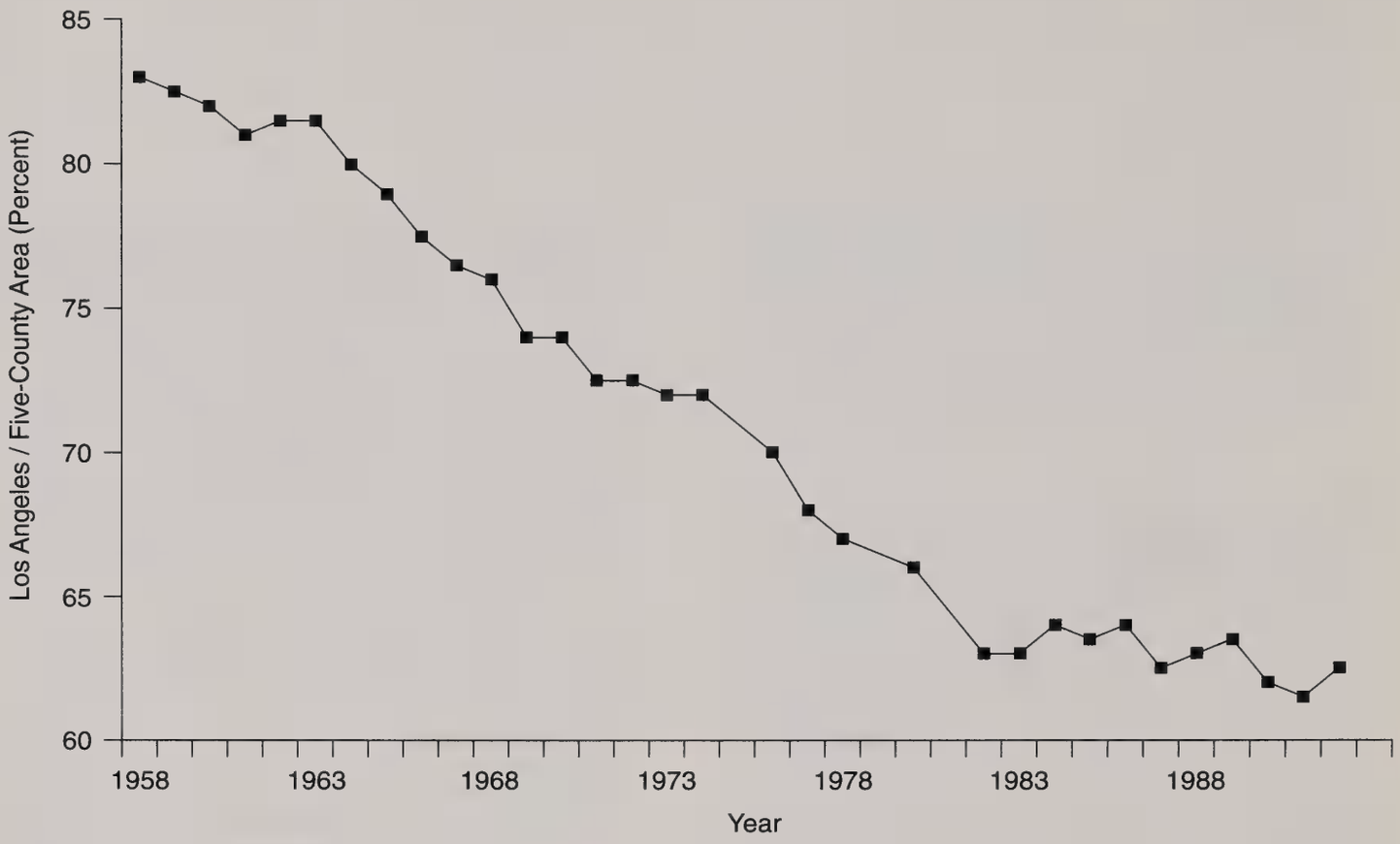
When responding to the second retail survey, respondents reported buying on average about a third of their floral product directly from the Wall Street markets, 37 percent from route men, and about 10 percent each from the Carlsbad market and direct from domestic growers.

Retail florists who said they did not shop regularly at the Wall Street markets were asked to identify the reasons. Five primary reasons were cited. Twenty-eight percent said the markets were too far away. Twenty-eight percent were using local wholesalers or route men who were providing satisfactory services. Twenty-seven percent of the respondents said they do not feel safe in the downtown markets. Twenty-one percent reported that parking is inconvenient. Twenty-seven percent indicated they do not go to the Wall Street markets because vendors sell to the general public. Other deterrents, of lesser importance, include: perceptions of rudeness on the part of merchants, 16 percent; high prices, 5.5 percent; and poor product quality, 7 percent.

Interviews with retail florists and others suggest that no single wholesale market complex can serve the Los Angeles five-county area in the same way, and to the same extent, that the Wall Street markets did a quarter of a century ago. Geographically retail florists are too dispersed to flock to any single location. A new market (with modern facilities and ample parking, a physically safe environment, good freeway access, and restricted public sales) could reasonably expect to draw business from increased numbers of retail florists. However, local wholesalers, route men, and growers would almost certainly continue to serve significant numbers of retail florists, especially small shops and those located far from the central market.

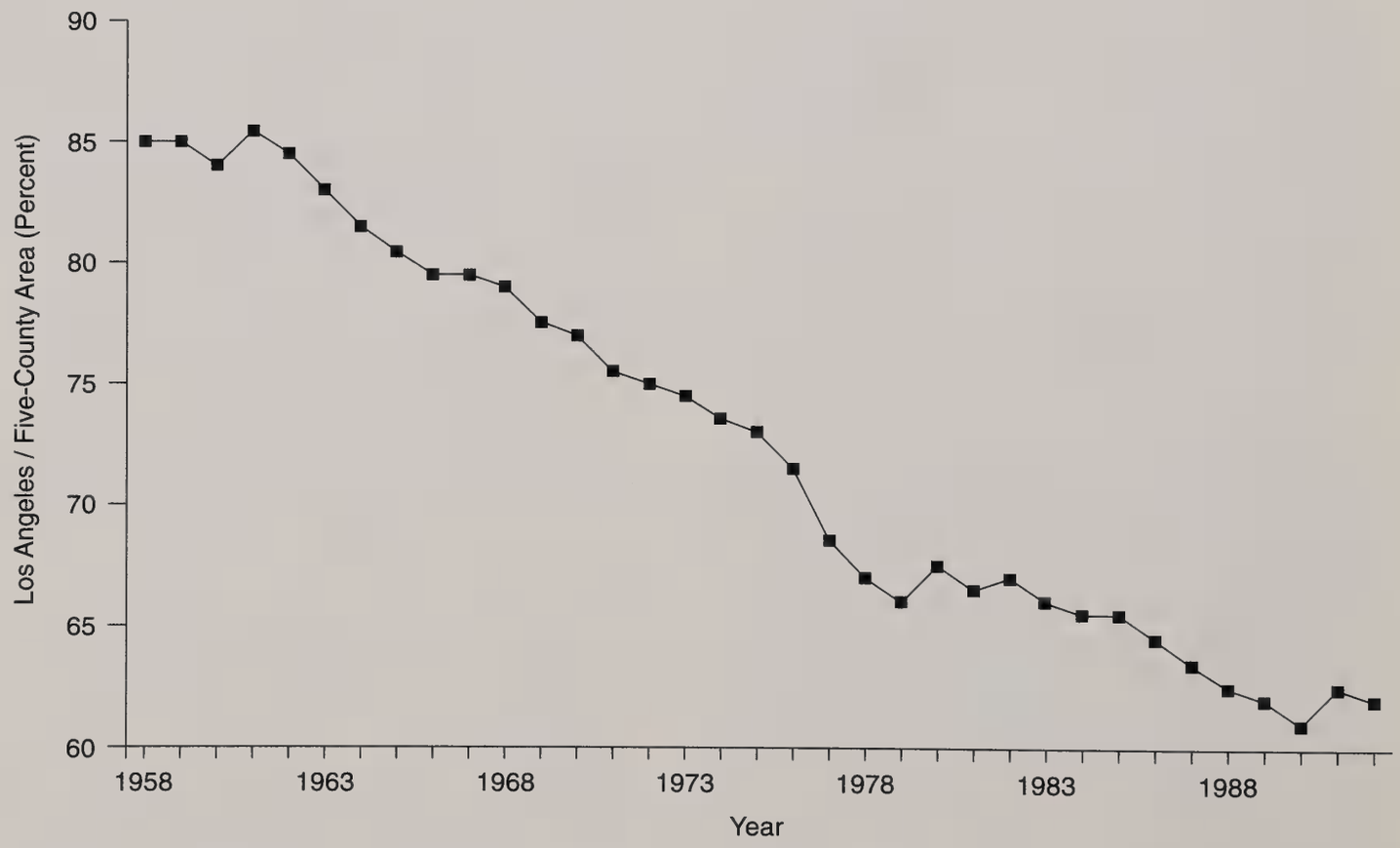
The physical expansion of the Los Angeles market area, together with the relatively greater expansion of retail floral activity in areas distant from the central city, suggests that an increasing proportion of retail florists find it inconvenient to visit a centrally located market on a regular basis. No matter where it is located, and no matter what its environment, a central market is unlikely to attract retail florists from distant points. Yet, as noted, it is precisely in those outlying areas that the number of retail florists and of retail activity in general is most quickly growing.

The relatively faster growth in numbers of retail florists and of retail floral sales in outlying areas is strongly supported by figures 5 and 6. Figure 5 shows the number of existing retail floral permits in Los Angeles county as a percent of the number of permits existing in the five-county area. In 1960, Los Angeles accounted for nearly 82 percent of the total number of permits; by 1975, Los Angeles' share had declined to 71 percent; and, by 1990, to 61 percent of the total. Figure 6 shows taxable retail floral sales in Los Angeles county as a share of taxable sales in the five-county area. Here, too, there is a persistent decline in Los Angeles, from 84 percent in 1960 to 73 percent in 1975, and to 61 percent in 1990.



Source: USDA, NASS, Floriculture Crops Summary, April 1995

Figure 5. *Retail floral permits existing in Los Angeles County as percent of total five-county area.*



Source: USDA, NASS, Floriculture Crops Summary, April 1995

Figure 6. *Taxable retail floral sales in Los Angeles County as percent of total five-county area.*

The ratio of taxable sales to permit (a proxy for retail store sales) also indicates Los Angeles is failing to keep pace with the five-county area. Between 1980 and 1990, sales-to-permit ratios in Los Angeles county increased by 61 percent, compared to 65 percent for the five-county area as a whole. In Orange and Ventura counties, by contrast, growth in sales-to-permit ratios was considerably greater, 73 percent and 151 percent, respectively.

Wholesalers and Mass Marketers

The relationship between the wholesale markets and the region's mass marketers is tenuous, albeit critical, to the survival of merchants in the wholesale industry. The 1976 USDA study assumed mass marketers would bypass wholesalers and deal directly with growers and importers of floral products. This has occurred only in part. While supermarkets do purchase directly from growers and importers, they continue to rely heavily on wholesalers. However, supermarkets only purchase limited quantities from wholesalers based in the Wall Street markets. Some supermarket personnel interviewed indicated that when their companies first sought a relationship with Wall Street market wholesalers in the 1960's, they were rebuffed. In their view, wholesalers feared antagonizing their retail customers by dealing with the supermarkets. Some Wall Street wholesalers expressed reluctance to deal with supermarkets because of constant pressure from the chains to cut prices to levels that do not provide a reasonable profit.

Mass marketers have forged working relationships with wholesalers operating outside of the Wall Street markets. These wholesalers, often conducting business from 15,000-25,000-square-foot warehouses, have arranged operations to meet the needs of the supermarkets they serve. In most cases, they are also bouquet manufacturers. In the long run, as supermarkets rely heavily on specialized vendor products, only those wholesalers having bouquet-manufacturing capability will be able to maintain relationships with mass marketers. Labor and overhead costs are too high to justify in-store operations.

Generally, wholesalers successfully servicing supermarkets expressed little interest in joining the retail floral trade or a central wholesale market facility. This attitude might change if mass marketers find other sources of floral products. For example, importers from Colombia and Ecuador who will soon be establishing a physical presence in the Los Angeles area could also provide bouquets and thereby eliminate the need for existing middlemen. In the meantime, wholesalers who service mass marketers appear to operate differently from those who primarily sell to the retail trade, and seem largely uninterested in locating in a central or regional market complex.

Floriculture Growers

A survey of all floral product growers in California and selected growers in neighboring States was conducted to gather general information about trends in the floral industry and to provide a better understanding about where and to whom growers sold their product. One hundred eighteen responses were received.

Seventy-seven percent of growers responding reported that their businesses have been in operation for 11 or more years. Less than 5 percent indicate that their businesses have been operating fewer than 5 years. These results suggest that there are few new entrants into the floral product growing business.

When asked whether they expect their businesses to be in operation 5 years from now, 76 percent of growers responded positively, 11 percent answered negatively, and the reminder were undecided. This suggests that most respondents feel they will "weather" whatever adversities are affecting the industry.

Those who did not expect their businesses to survive more than 5 years were asked to indicate the reasons. In interpreting the results to this question, it is important to note that 13 of 118 respondents said they did not expect their business to be in operation 5 years from now. The three main reasons cited were competition from imports (85 percent), the business is no longer profitable (77 percent), and government regulations (46 percent). Those who expect to go out of business blame imports and government regulations as contributing to making their businesses unprofitable.

When asked to indicate the number of acres under cultivation in floral products, 56 percent of the respondents reported 25 or fewer acres, 14 percent reported between 26 and 50 acres, and 29 percent reported 51 or more acres. Growers were asked to compare acreage under cultivation in floral products 5 years ago with the level expected to be under cultivation in 5 years. Some respondents who said they had fewer than 5 acres under cultivation 5 years ago expect to have more acres under cultivation 5 years from now, with the percentage of respondents in the "less than 5 acre" category dropping from 21 percent to 13 percent. The percentage of growers who claim to have had 51 or more acres in cultivation 5 years ago expect to reach 38 percent 5 years from now, up from 30 percent 5 years ago.

When asked how they expect to readjust their crops or crop categories from what they were 5 years ago to what they will be 5 years from now, most growers replied they did not expect to change their product mix in any significant way. That is, growers expect to plant the same crops or crop cat-

egories 5 years from now as they did 5 years ago, with fresh cut flowers clearly predominating (75 percent 5 years ago compared to 72 percent 5 years from now). Apparently growers do not anticipate imports having an effect on their crop choices.

Imports of Cut Flowers

Imports of fresh cut flowers constitute an expanding share of total floral supply. Table 3 illustrates the value of domestically produced and imported cut flowers from 1986 to 1995. In 1995, imports of fresh cut flowers reached an all-time high value of $512 million.

Colombian flowers account for 68 percent; Netherlands, 13 percent; Ecuador, 11 percent; Mexico, 5 percent; and Costa Rica, 3 percent of the dollar value of U.S. floral imports.[3] The import share of U.S. floral supply in 1995 for carnations, roses, and chrysanthemums averaged 86 percent, 66 percent, and 86, percent, respectively, compared with 73 percent, 42 percent, and 72 percent, respectively, in 1989.

The main point of entry for imports into California is Miami, Florida. From there, products are trucked to Los Angeles and to other western cities. Presently, there are only a limited number of direct air cargo flights into Los Angeles. However, importers based in Miami indicate that this situation will change over the next few years, as increasing numbers of direct flights from Bogota and Quito arrive in Los Angeles. Consequently, the west coast could see a significant increase in South American floral products. And, Los Angeles is likely to become the gateway through which this product reaches the rest of the Western United States. This change will affect the wholesale markets in Los Angeles and local growers.

[3] "World Horticultural Trade & U.S. Export Opportunities," U.S. Department of Agriculture, October 1996.

Some importers interviewed who now operate out of Miami expect to establish a physical presence in Los Angeles. They will need office and warehousing facilities, which will provide a sourcing point to the rest of the Western United States and Pacific rim countries, and accommodate incoming products. Importers did not indicate a strong interest in locating within a central wholesale market, whether on Wall Street or elsewhere. They are interested in warehousing space that is near an airport and freeway. They see no special advantage in locating in a central wholesale market facility. One dealer noted that because it wants to sell to wholesalers it would be better to locate elsewhere to avoid any appearance of competing with them. In time, importers are likely to take on a wholesaling function. If they do, they will further marginalize traditional wholesalers who now service the retail trade. They may eventually replace some of the wholesalers who currently service mass distributors (especially if importers also become bouquet makers, which they could do successfully because of lower labor costs).

Importers' utilization of direct air cargo flights from Bogota and Quito into Los Angeles will also affect local growers. The quality of imported products should improve because delivery time will be shortened. One line of reasoning is that as imports of basic crops become dominant, local growers will increasingly need to shift production to other high-value specialty crops, and crops not readily grown elsewhere, or to those too perishable to transport. Direct entry of products into Los Angeles may not impact severely on local growers, because the comparative advantage enjoyed by foreign producers is diminishing, partly because land prices are increasing in Columbia and other floral product growing countries. Moreover, many local growers have already been displaced by imports and have made the adjustment to new crops. The whole question of how imports will eventually affect local growers is uncertain.

Table 3. *Value of domestic and imported cut flowers, 1986-95.*

Year	Domestic (million dollars)	Imports (million dollars)	Imports as % of total
1986	392	235	37
1987	478	244	34
1988	498	284	36
1989	546	316	37
1990	529	326	38
1991	534	322	38
1992	519	352	40
1993	480	382	44
1994	499	420	46
1995	459	512	53

Source: USDA, ERS, Commercial Agriculture Division

Relocating the Wall Street Markets

Interest in relocating the Wall Street markets dates back at least 20 years. The 1976 USDA study considered the issue and concluded that moving the downtown markets to another site was not only desirable, but necessary. Analysis of the physical and environmental problems affecting the Wall Street markets are still valid despite the improvements made by the markets' management. Retail florists and Wall Street market managers and wholesalers were interviewed and surveyed to obtain the information on which the following analysis is based.

There are numerous problems with the existing structures and with the present location. Truck docking facilities are virtually nonexistent, resulting in excessive handling and labor costs. Existing structures are not designed for efficient wholesale operations. Parking is inadequate (there is considerable indoor parking in a multilevel structure, but visitors are reluctant to use it for security reasons). There are serious problems relating to theft, vandalism, and harassment in the area. These problems result in markets that are outdated, inefficient, and costly to operate. The managements of the Wall Street markets agree that the problems are so severe that relocating is the only alternative.

Data from the second retail survey suggests that many retail florists would favor regional centers. When asked to express a preference about shopping at a central or regional distribution facility, respondents were almost equally divided (38 percent favoring a central facility and 35 percent favoring a regional facility, with the rest undecided). Those indicating a preference for a central facility were then asked to identify the reduction in driving time that would cause them to switch to a regional center. While 35 percent indicated they would not switch, 26 percent said they would switch to a regional center if their one-way driving time could be cut at least 20 minutes, and almost 50 percent said they would switch if they could save at least 30 minutes of one-way driving time. Finally, when we asked retail florists to pick among three widely dispersed locations in which to locate a new central market, the responses were about equally divided, suggesting that retail florists prefer to shop relatively close to where they live or work.

While management is committed to relocation, most of the wholesalers who lease space in the Wall Street markets oppose relocation. When asked during the wholesaler survey if they believe relocation of the Wall Street wholesale market facilities would benefit the floral industry as a whole, 54 percent of respondents answered no, 20 percent thought it would be beneficial, and 26 percent were undecided. When asked if they believed relocating the wholesale markets to new facilities at another location would benefit their particular businesses, 16 percent replied yes, 61 percent replied no, and 23 percent were undecided.

Wholesalers do not want to relocate for a variety of reasons. Some oppose moving because of uncertainties. They fear having to pay higher rents in a new facility, and are afraid their customers will not follow them to a new market. A few occupants are elderly and believe that for them it is too late to restart their operations in a new setting. A few simply believe the present location is the best place for a central market.

However, despite substantial opposition to relocation, 61 percent of wholesalers said they would move their businesses to the new facility if both markets, the American Florists' Exchange and the Southern California Flower Growers, relocated together to the same site. The remainder said they would not move to the new facility (19 percent) or that they were undecided (20 percent). When presented with the scenario of their own market (i.e., the one in which they are now housed) relocating, while the other market remained on Wall Street, only 29 percent said they would move to the other market . Nearly 34 percent said they would not move to the other market and a very significant 37 percent were undecided. These results suggest that despite objections to relocating, most wholesalers will go along with it, especially if both markets make the move together.

While management of the two markets generally agree that relocation is necessary, neither market has firmly committed itself to relocate. Further, there is no agreement as to where to relocate, or even whether the two markets should share the same site. It is therefore possible that only one market will relocate, or that both will move but to different locations. Respondents were asked what they would do in the event the two markets relocated to different sites. Respondents were about equally divided, 18 percent indicated they would move with the American Florists' Exchange, and 21 percent said they would go with the Southern California Flower Growers. Another 18 percent indicated they would have operations in both markets. Five percent would find a new location of their own choosing, and 10 percent would shut down. Nearly 30 percent said they were undecided.

It is evident from the survey that the wholesalers on Wall Street strongly support having a single central market. When asked whether the floral trade would be better served by one central wholesale market or by several regional markets, 78 percent of the respondents favored a single market (only 12 percent favored regional markets). And when asked whether they would prefer to operate their businesses in a single market or from several regional markets, an overwhelming 82 percent preferred a single central market (barely 5 percent preferred operating from several regional markets).

If the option to relocate to one central wholesale market facility is chosen, the two Wall Street markets could coordinate their relocation plans and consider uniting the two markets. A history of dissension between the two markets hinders (though more so in the past than now) the effective coordination of their plans. It would be impractical if one of the two markets relocated while the other remained on Wall Street, or if both relocated but in relatively close proximity to each other. Competing markets could experience major difficulties surviving unless they are strategically located to draw customers from different geographic areas.

Internal Operations of the Wall Street Markets

Public Sales

During interviews many retail florists indicated that sales to the general public have not been adequately regulated on the Wall Street Markets. They indicated that they resent the public's presence in the markets and especially the fact that the public can purchase floral products at the same prices retail florists pay. Retail florists also resent the fact that some of these purchases are made by individuals who are operating floral businesses out of their homes or garages without licenses. Public sales are a major reason why many retail florists do not shop at the Wall Street markets. In fact, some drive considerable distances to the Carlsbad market because they perceive it more effectively restricts public sales. Interviewers were told that public sales also occur at the Carlsbad market, but they seem to be carried on with less visibility, and perhaps with greater efforts by management to restrict the practice.

The management of the Wall Street markets recognizes the problem of public sales, but has been reluctant to take action to restrict them, partly because some of its tenants derive significant business from such sales. Recently a district badge program was instituted by the management of the Wall Street markets to control public sales. Under the program, badges issued to licensed retail florists allow licensed retailers only to shop in the markets on Mondays, Wednesdays, and Fridays, from the time the markets open until 8:00 a.m., and Tuesdays, Thursdays, and Saturdays until 6:00 a.m.

While 67 percent of the wholesalers responding to the survey report that 10 percent or less of their revenue comes from public sales, another 20 percent say that such sales account for between 10 percent and 25 percent of their business, and 11 percent of the respondents indicate public sales make up over a quarter of their total sales (and much more, in a couple of cases). Most wholesalers think the problem is serious enough to deter retail florists from coming to the markets, and some restrictions may be necessary. They believe public sales should not be prohibited, but regulated as to time and place. While 58 percent of the respondents oppose banning public sales, fully 60 percent favor restricting public sales to certain times and/or places within the markets. (Thirty percent favor banning public sales and 24 percent oppose restrictions.)

The Auction

The auction system that operates in an adjacent facility concerns many wholesalers in the Wall Street markets. This auction is privately owned by one of the largest wholesalers within the Wall Street markets. A number of market occupants feel the auction is detrimental to their businesses. They perceive the auction as (1) drawing away business that would otherwise go to them, (2) pushing prices lower, and (3) giving unfair advantage to one wholesaler over others.

During discussions with auction owners, Wall Street market wholesalers, and Carlsbad Market management officials, a consensus was reached that an auction can be a vital part of a wholesale market facility and attracts large retail florists that might not otherwise patronize the facility. In fact, most wholesale flower markets around the world utilize an auction system. The Wall Street markets are one of few that, until the last several years, did not have an auction. When properly run, auctions represent an efficient means of fulfilling the wholesaling function. Indeed, they may function with greater efficiency than systems relying on traditional wholesalers. The economic advantages inherent in auctions (e.g., lower labor requirements and centralized billing) may place traditional wholesalers at a disadvantage. However, the auction brings retail florists to the central market, and can add to the wholesalers' business. A thorough study of the auction might reveal that it plays a positive and valuable role.

Wholesaler opposition to the Wall Street market auction might be reduced by broadening its ownership to include other market participants and by putting the auction under professional management. Additional efforts also could be taken to broaden utilization of the auction by retail florists. Presently, most retail florists do not make purchases through the auction; almost 80 percent of those responding to the second retail survey indicated they have never used the auction. Less than 10 percent report making more than 25 percent of their purchases at the Wall Street markets through the auction. Two main reasons given for not utilizing the auction were buying too few floral products to warrant using it, and preferring to deal with market vendors. Other significant reasons cited included not knowing how the auction works and claims that it is not open at convenient times. Although many independent retail florists are too small to make using the auction worthwhile, management could initiate an educational program to encourage more awareness and utilization and, perhaps, make the auction facility more accessible.

Regional Wholesale Floral Market Facilities Concept

Despite overwhelming wholesaler support for a single central market, consideration should be given to eventually creating three or four regional market complexes. Although a financial analysis was not conducted to determine the economic viability of regional markets or a single central market, information gained from interviews suggests that several well-designed regional markets, strategically located, may provide an alternative means of serving the needs of retail florists. Strategically located regional markets, each containing 100,000-150,000 square feet, might exert a strong "pull" on retail florists, and attract many wholesalers who now operate outside of the central market. Relatively small wholesalers in the Wall Street markets will probably have to choose one regional market in which to operate. Larger wholesalers may see advantages in having multiple operations (as some already do).

For those retail florists in the five-county area who find it hard or otherwise unattractive to shop at the Wall Street markets, route men, local wholesalers, and local growers are alternatives from whom retail florists can get products on a daily basis. While these alternatives do not fully substitute for shopping in a central market, they do lessen the need to do so on a regular basis. Retail florists suggest that the negatives of not going to the Wall Street markets are offset by convenience and ability to obtain products daily and as needed. Negatives include limited product selection, possibly inferior quality product, slightly higher prices, and the inability to browse and make impulse purchases.

Regional markets merit further review as an alternative to recreating a new central wholesale market. The trends reflected in figures 3 and 4, showing that growth in retail permits and sales in Los Angeles are lagging compared to the surrounding five-county area, are likely to continue, and if so any central market will become increasingly inaccessible to retail florists outside of Los Angeles County. These retail florists will continue to seek alternatives. In time, more markets like the one in Carlsbad will be established, and they will drain business away from the central market and from its wholesalers.

Conclusion

The wholesale floral industry in southern California has changed from one dominated by a single wholesale market area, located on Wall Street in downtown Los Angeles, to one composed of numerous wholesale operations located throughout the Greater Los Angeles area. Retail florists can purchase floral products from route men, local wholesalers, and growers, in addition to the central Wall Street markets.

If a single market can no longer effectively serve all retail florists, a good alternative may be found in several regional wholesale markets, each in convenient proximity to large numbers of retail florists. Three or four strategically located regional markets (each perhaps the size of the Carlsbad market) could provide retail florists with most of the economic benefits of a central wholesale market (numerous vendors competing on the basis of price, quality, and service), but without having to drive long distances, put up with congested freeways, and otherwise waste valuable time.

Regional markets can provide net economic benefits to retail florists, especially to those who do not now shop regularly at the Wall Street markets. The incremental inconvenience of driving to a regional market (as opposed to driving to a local wholesaler or having products delivered by a route man) is very likely to be more than offset by lower prices, better quality, greater product variety, and improved service—all the benefits usually associated with competition.

Based on comments from individuals interviewed and results of the surveys of retail florists, wholesalers, and growers, a number of trends were identified. Mass marketers represent the fastest growing segment of the retail flower market and serve the impulse buying market, while traditional retail florists primarily serve the special occasion and holiday market. Mass marketers have broadened the market for floriculture products by making product more accessible and available at affordable prices, while the market share left to traditional retail florists is in danger of becoming less profitable. Some mass marketers have gone beyond satisfying impulse demand and prepare special floral arrangements, cater special occasions, deliver, and provide customers with access to wire services.

Strategies retail florists can employ to regain market share include the following:

- Select a good location;
- Display floral products outdoors;
- Consider operating kiosks in shopping centers and other locations where there is active walk-by traffic;
- Cultivate new market niches;
- Provide enhanced customer service;
- Encourage walk-in traffic;
- Charge affordable prices;
- Maintain convenient business hours; and
- Be creative in advertising and promotional activities.

Domestic floriculture growers face increasing competition from imports of cut flowers, and some may need to shift production to high-value specialty crops.

Appendix A - Retail Florist Survey I

The main purposes of the first retail survey were to identify responses by retail florists regarding (1) purchase behavior of retail florists, (2) possible relocation of the Wall Street markets, and (3) identification of industry trends.

The survey was distributed to retail florists in the five-county area surrounding Los Angeles (Los Angeles, Orange, Riverside, San Bernardino, and Ventura). Questionnaires were mailed to 1,835 retail florists the last week in September 1994. Of these, 134 were undeliverable (wrong address, no longer in business, etc.). Three hundred forty-five usable responses were received, slightly more than 20 percent of the number of surveys that were both mailed and delivered. Exhibit I lists the questions asked and the responses to the multiple choice questions. Exhibit II provides an analysis and summary of the written responses to open-ended questions.

Exhibit I
Retail Florist Survey I Results

1) I purchase most of my floral products: (circle all that apply)

a) from wholesalers located in my area.	41.4%
b) from wholesalers at the central market on Wall Street in downtown Los Angeles.	60.0%
c) from routemen.	39.0%
d) directly from growers.	19.0%
e) other	1.2%

2) Are you familiar with the flower market on Wall Street in downtown Los Angeles?

a) Yes.	99.7%
b) No. (If no, skip to #6)	0.3%

3) In a typical week, what portion of your floral purchases are made at the Wall Street market?

a) None.	28.0%
b) Less than 15%.	11.3%
c) 15% -34%.	8.1%
d) 35% -64%.	12.2%
e) 65% -84%.	12.0%
f) 85% or more.	28.4%

4) Answer only if you DO NOT go to the Wall Street flower market regularly. I do not typically purchase from the Wall Street market because: (circle as many as applicable)

a) It is too far away.	28.1%
b) I do not feel safe in downtown L.A.	27.2%
c) Parking is inconvenient.	21.0%
d) I use local wholesalers and route men with whom I am satisfied.	28.0%
e) Merchants at the Wall Street market sell to the general public.	27.0%
f) Prices at the Wall Street flower market are too high.	5.5%
g) I am not satisfied with the quality of merchandise at the Wall Street flower market.	7.0%
h) Merchants at the Wall Street flower market are often rude.	16.0%
I) Other	10.1%

5) The following relates to the Wall Street flower market. Indicate your agreement or disagreement with the following statements.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) The market is inconvenient.	27.5%	20.1%	19.1%	17.6%	15.7%
b) The market is unsafe.	22.0%	24.0%	28.5%	18.4%	7.1%
c) The market offers high-quality products at reasonable prices.	16.5%	28.7%	36.0%	12.8%	6.0%
d) It is a pleasurable experience to shop at the market.	12.9%	24.5%	29.8%	18.3%	14.5%
e) Wholesalers at the market are courteous.	12.2%	34.1%	29.7%	15.9%	8.1%
f) Wholesalers at the market treat customers fairly.	11.0%	28.0%	31.4%	21.4%	8.2%
g) I would like to see the market relocated to another site.	33.3%	12.9%	26.3%	7.9%	19.6%
h) The general public should be allowed access to the market.	5.9%	1.2%	5.9%	7.2%	79.8%
I) I like the way the market operates.	8.4%	14.2%	39.7%	17.5%	20.2%

6) My primary retail competition comes from:

a)	other local floral shops.	27.1%
b)	supermarkets or other mass merchandisers.	16.7%
c)	street vendors.	1.2%
d)	other	55.0%

7) Please indicate your agreement or disagreement with each of the following statements.

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a)	Traditional independent floral shops will have difficulty surviving in the coming years.	35.7%	38.7%	11.0%	10.4%	4.2%
b)	Consumers will increasingly make their floral purchases from supermarkets and other mass distributors.	22.5%	40.8%	19.3%	13.3%	4.1%
c)	Independent florists will continue to dominate the special occasion market (weddings, funerals, etc).	33.0%	43.7%	12.4%	8.8%	2.1%
d)	Operations similar to Conroys are not able to compete any more effectively than traditional stand alone floral shops.	16.2%	30.8%	23.4%	23.2%	6.4%
e)	In 10 years, there will be significantly fewer independent floral shops in the Los Angeles area.	33.3%	38.9%	17.1%	7.4%	3.3%
f)	I expect to be operating my shop 5 years from now.	34.3%	28.8%	18.4%	9.3%	9.2%
g)	Over the next 5 years independent floral shops on average will become more profitable.	3.9%	12.9%	39.7%	28.8%	14.7%
h)	Consumers will continue to place most of their wire delivery orders through their local independent florists.	21.1%	42.6%	21.3%	10.6%	4.4%
I)	Supermarkets have helped my business by making the public more familiar with cut flowers and potted plants.	2.9%	13.2%	19.7%	28.4%	35.8%

8) How long have you owned the business?

Less than 1 year	1-5 years	6-10 years	More than 10 years
3.2%	19.9%	27.6%	49.3%

9) My gross annual sales are

Less than $150,000	$150,000-$499,000	$500,000-749,000	$750,000-$1,000,000	More than $1,000,000
41.9%	36.7%	8.6%	7.9%	4.9%

10) How many people do you employ on a full-time basis?

Fewer than 3	3 - 5	6 - 10	More than 10
58.2%	22.1%	12.4%	7.3%

Exhibit II
Summary of Responses to Open-ended Questions

The survey document allowed respondents to write comments to questions 1, 4, and 6. Respondents also had the opportunity to make any comments they thought would be relevant to our investigation. Of the 345 questionnaires returned, 144 provided comments, either to specific questions or of a more general nature. A content analysis of all written comments was made (classifying comments according to similar contents). This allowed us to "flesh out" answers to the questions and to obtain a more in-depth understanding of respondent opinions.

Question 1 asked respondents to identify the major sources from which they bought their floral products, other than the choices identified in the question. Nearly all of the 14 written comments to this question identified the wholesale market in Carlsbad (in northern San Diego county) as a primary source of their floral product. The reasons for going to the Carlsbad market are suggestive of the reasons some florists do not shop at the Wall Street markets: restrictions on public sales, greater safety, more convenient parking, and more courteous treatment by market vendors.

Question 4 asked retail florists who indicated they do not shop regularly at the Wall Street markets to state their reason(s). Twenty respondents provided comments. Several said they dealt directly with a grower, three said they grew their own flowers, and the remainder simply repeated responses provided for in the question (e.g., purchased from route men).

In question 6, respondents were asked to identify their major competitors. Of the 27 written responses to this question, 17 felt their main competition came from "hobbyist florists," "designers," or persons working out of their home or garage. These comments were sometimes very critical of home-based florists. Respondents were concerned that some allegedly pay no taxes, have no business license, and undercut market prices. Five respondents indicated wire services are their major competitors. The rest expanded on answers provided in the question.

Finally, and most revealing, respondents were encouraged to write comments they believed important, or to expand on any question in the survey. A content analysis of the 130 responses fell into two categories: (1) what respondents liked about markets, and (2) what they disliked. Twenty respondents made positive comments. Most often mentioned was the good variety of product, freshness of product, lower prices, and the ambience of the market ("fun to shop"). However, many more respondents expressed criticism. In the following section, these comments are provided in unedited form in order of their frequency.

1. The markets allow sales to the general public. This was by far the most mentioned criticism of the Wall Street markets made by retail florists. Sixty of them listed public sales as their main complaint about the Wall Street markets. Many of the comments were quite caustic, blaming public sales (along with supermarkets sales) for the problems facing retail florists. Public sales are also the most often cited reason retail florists do not shop at the Wall Street markets. Comments by retail florists included:

"The flower market's purpose was wholesale for retail florists. Now they sell to the public at wholesale prices or lower."

"Close the market to the public and more florists will patronize it."

"The market should not compete with us for our customers."

"Because of public sales, florists stopped buying and went to outlets that didn't sell to the public."

"The L.A. flower market is dead. It's too expensive and really doesn't have a defined role; is it retail, wholesale, grower?"

"Wall Street floral market is selling at same prices to the public as retail florists, and increasingly selling floral arrangements to the public at prices much lower than those of traditional florists. This is damaging profitability of the traditional florists."

"The market charges the public the same prices we pay which is unfair."

"Stop selling to the general public at wholesale places."

"My shop is in the East L.A. area. We in this area are ones that have been hit hardest by the market selling to the public. I have lost 75 percent of my business to the floral market."

"Why should the public buy from me when they can get the same prices I do?"

"Public sales are putting a lot of us out of business."

"The wholesale flower markets cater to the public at the same price as to local flower shops, some only charging sales tax."

2. Rudeness of vendors. This was the second most mentioned complaint, with 16 florists saying they did not like the way they were treated. Sample comments were as follows:

"The wholesalers treat you like dirt."

"I also have found Wall Street vendors to generally be rude, unhelpful, and clannish."

"Most vendors have an attitude of take it or leave it. Customer service is less than desirable. "
"I'm a small florist. I feel like I'm not welcome at the Wall Street market."

"Some vendors act like we do not need you these days; we're too busy with our big customers."

"If you are not a big customer, the vendors have little time for you."

"I used to drive downtown 2 days each week. Not anymore. Vendors are rude and not treating everyone fairly."

"Because we are not large volume buyers, we are ignored when asking prices or trying to get a salesman to wait on us."

"Some vendors are dishonest. I've had them switch purchases on me which I did not find out until I got home."

"I absolutely refuse to do business with wholesale vendors who sell to the public. Also, I find Wall Street vendors to be rude. In San Diego, a higher degree of concern is shown both for wholesale buyers and quality of the product."

3. Problems with parking, safety, rundown neighborhood. Fifteen responding florists mentioned parking, safety, and the general rundown condition of the Wall Street market neighborhood as reasons they avoid or dislike shopping at the markets. Some comments were:

"The market is in a bad neighborhood and I do not go there myself."

"I go to the Carlsbad market which is farther but totally safe."

"I would like to see the market move to a safer area where I would not have to drive through some of the surrounding areas."

"You have to go to the market too early in the morning and fight to find a parking place...usually you get a ticket on your vehicle even if you are only 1or 2 minutes late. "

"Charging for parking should be eliminated; why should we have to pay parking to go pick up our shipment!"

"The market is inconvenient to get to except in an emergency."

"There is roof parking, but when it rains it is hell!"

"The drive downtown is inconvenient, and parking is a problem."

"I think the market can be improved if it is moved out of that bad area and where parking is ample (like in San Diego market)."

"The area is horrible, and as a single woman, I will not go down there alone."

"Shopping at Wall Street is hard work. Also, takes too much time. I don't like going downtown at 3:00 a.m. It's hard to get a cart in and out of parking. Wholesalers don't like to loan out carts. Parking structure is often full."

4. High prices or no price breaks to retail florists. Fifteen respondents complained about high prices or the lack of a price break given to retail florists. Typical comments include:

"Prices have been going up, and vendors don't give a break to florists over the public."

"Need to be more uniform prices around holidays instead of the high increase of prices
just because of holidays. Prices should be the same year-round to florists."

"I can get a better price from my route men and don't have to drive downtown."

"I shopped at the Wall Street market for 13 years but stopped a couple of years ago because the vendors were holding the product and passing it as a fresh product; also, prices have gone up to the point I pay only pennies more and get deliveries right to my door."

"We are concerned about continually increasing wholesale prices at the market."

"Fresh flower prices are rising to a point that in the near future consumers will consider them a luxury and cease buying for everyday consumption."

"I realize the grower and wholesaler have to make a profit, but the prices of flowers are too high. Some growers will ship direct to your store at a lesser price than you can get at the Wall Street market."

Other, less frequently stated problems include: unclean facilities (5); inconvenient hours (8); and inconsistent prod-

uct quality (7). Some respondents made suggestions about improving the Wall Street markets. For example:

"Go back to the old identification system for all retail florists."

"Improve the auction."

"Make market more user friendly."

"Copy the Carlsbad system."

"Restrict sales of foreign flowers."

"Make market into tourist attraction."

Apart from comments specifically relating to the Wall Street markets, there were others which addressed a variety of problems facing retail florists. These comments typically called for lower taxes, more government restrictions on street vendors, restrictions on supermarket sales, stricter enforcement of retail license holders, many of whom are "housewives, "church groups," etc.

Finally, some florists expressed opinions as to why so many local florists are going out of business. The reasons include:

✓ Increased competition (and discrimination from) wire services.

✓ Competition from unlicensed street vendors, home hobbyists, and designers who work out of their homes.

✓ Supermarkets and chain distribution type stores.

Appendix A1 - Retail Florist Survey II

The second retail survey was sent about a year after the first to the same population. It examines issues relating to the possible relocation of the Wall Street markets. It corroborates the findings from the earlier survey, and provides valuable additional information. Respondents returned 262 usable questionnaires. Exhibit I includes the responses in percentage form.

Exhibit I
Retail Florist Survey II Results

		Yes	No
1)	Did you respond to our earlier survey?	53.78%	46.22%
2)	Please indicate your business's gross annual sales.		
	a) Less than $150,000	32.81%	
	b) $150,001- $250,000	26.09%	
	c) $250,001 - $500,000	24.51%	
	d) $500,001 - $750,000	8.30%	
	e) $750,001 - $1,000,000	3.16%	
	f) More than $1,000,000	5.14%	
3)	How is your business organized?		
	a) Sole Proprietor	68.85%	
	b) Partnership	10.36%	
	c) Corporation	19.26%	
	d) Other	1.15%	
4)	How many locations do you have?		
	a) 1	85.71%	
	b) 2-4	13.89%	
	c) 5 or more	0.40%	
5)	How many years have you owned your current business?		
	a) Less than 1	0.78%	
	b) More than 1 but less than 5	10.55%	
	c) More than 5 but less than 10	31.25%	
	d) More than 10	57.42%	
6)	Approximately what percentage of your floral product do you obtain from each of these sources?		
	a) Wall Street markets	32.71%	
	b) Route men	37.30%	
	c) Carlsbad market	9.45%	
	d) Direct from domestic growers	10.81%	
	e) Direct from importers	3.38%	
	f) Others	6.35%	
7)	Please estimate the percentage of your total dollar sales in each of the following categories:		
	a) Retail customers	65.35%	
	b) Business/Institutional customers	34.65%	
	a) Incoming wire service orders	26.76%	
	b) All other orders	73.24%	
	a) On premise sales	32.94%	
	b) Sales requiring delivery	67.06%	
8)	Complaints have been expressed about public sales at the Wall Street markets. One proposed solution provides identification badges to retail florists having a valid resale certificate and impose certain purchasing restrictions on the general public. Please indicate your agreement or disagreement with each of the following restrictions.		

	Yes	No	No Opinion
a) Restricting public sales to a designated location in the market.	75.62%	16.94%	7.44%
b) Restricting public sales to certain times.	79.29%	14.10%	6.61%
c) Charging higher prices to the general public.	87.23%	7.66%	5.11%

If only one restriction could be imposed, which would you choose?

a) Restricting public sales to designated location in the market.	21.13%
b) Restricting public sales to certain times.	12.89%
c) Charging higher prices to the general public.	65.98%

9) Indicate the time you most prefer to begin to shop at the floral district.

a) 3 a.m. to 4 a.m.	9.17%
b) 4 a.m. to 5 a.m.	20.09%
c) 5 a.m. to 6 a.m.	27.95%
d) 6 a.m. to 7 a.m.	24.89%
e) 7 a.m. to 8 a.m.	8.30%
f) Other	9.61%

10) It is proposed to relocate the wholesale markets on Wall Street to a new, state-of-the-art distribution facility in a safe and freeway accessible location. Please rank your preference for the following suggested locations from 1 to 3, with 1 being the most preferred.

	1	2	3
a) City of Commerce	37.37%	22.63%	13.68%
b) South Bay/Airport	31.05%	16.84%	20.53%
c) Dodger Stadium Area	30.53%	14.21%	19.47%

11) In planning the proposed central distribution facility, we need to know the amenities and services that are most important to you. Please rank-order the following in terms of their importance to you, with 1 being the highest.

	1	2	3
a) Restaurants	1.72%	1.15%	32.56%
b) Day care center	0.00%	0.57%	3.45%
c) Health club	0.00%	0.00%	1.72%
d) Conference room facilities	0.00%	0.57%	6.90%
e) A "KINKO" type business center	1.15%	2.87%	13.89%
f) Free push cart service	26.44%	54.60%	30.45%
g) Preferred parking	66.09%	22.41%	2.87%
h) Other	4.02%	2.30%	2.87%

12) Please indicate whether you are using any of the following marketing techniques to promote your business.

a) Print or other media advertising	76.05%
b) Periodic sales or "specials"	66.81%
c) Displays to induce walk-in traffic	66.81%
d) Reduced markups	28.15%
e) Telemarketing	12.18%
f) Others	18.07%

13) Eventually, the proposed new central distribution facility may be supplemented by several conveniently located regional distribution centers. Strategically located throughout the Greater Los Angeles area, regional centers would have many features of the central facility, but on a smaller scale. Please indicate whether you would prefer to shop at a central or regional market.

a) Central distribution facility	37.77%
b) Regional distribution facility	35.19%
c) Undecided	27.04%

14) Answer only if you checked "Central distribution facility" in the question above. Please indicate the point at which you would likely switch from the central facility to a regional facility.

a) If I could reduce my one-way driving by 10 minutes or less.	4.88%
b) If I could reduce my one-way driving by 10-20 minutes.	20.73%
c) If I could reduce my one-way driving by 20-30 minutes.	23.17%
d) If I could reduce my one-way driving by more than 30 minutes.	15.87%
e) I would not switch to a regional center.	35.37%

15) An auction presently operates in a facility adjacent to the main Wall Street market area. What percentages of your floral product purchases at the Wall Street markets are typically made through this auction?

a) I never use the auction.	77.50%
b) Less than 25%	14.17%
c) 25 to 50%	2.92%
d) More than 50%	5.42%

16) Answer only if you checked "I never use the auction" in the previous question. Why haven't you used the auction? Please check all that apply.

a) I didn't know there was an auction.	6.04%
b) I don't buy enough to warrant using the auction.	48.90%
c) I don't know how the auction works.	28.02%
d) It is not open at convenient times.	30.77%
e) I prefer dealing directly with market vendors.	53.85%
f) The auction is not within the main market area.	8.79%
g) Other	20.88%

17) Please estimate the percentage of your total sales in each of these categories.

a) Floral arrangements	59.70%
b) Indoor plants	14.88%
c) Cut flowers	17.79%
d) Other	7.63%

Identify the portion of your cut flower sales in each of the following categories.

a) Roses	35.16%
b) Carnations	20.39%
c) Tropical/Exotics	16.87%

Appendix B - Wholesaler Survey

The questionnaire distributed to wholesalers was developed to obtain the views on a number of issues concerning them and market management. As with the retail florist surveys, the wholesaler survey document reflected discussions with numerous market participants.

The survey addressed three broad areas. The first concerned the possible relocation of the Wall Street markets. The second sought to examine attitudes toward regional wholesale markets (as opposed to one single market). And the third part of the survey addressed the issues of sales to the public, the auction system (operating adjacent to the Wall Street markets), perceptions about the Wall Street markets, and the future of the wholesale business.

The questionnaires were distributed to all firms located in the two Wall Street markets during the week of October 10, 1994. Of the 90 surveys that were distributed, 64 completed questionnaires (71 percent) were returned.

The following exhibit provides responses to the "yes or no" and multiple-choice questions asked in the survey.

Exhibit I
Wholesaler Survey Results

Part I
In questions 1-9 we would like you to give us your opinion on the possible relocation of the Wall Street Markets (American Florists' Exchange and Southern California Flower Growers).

1)	Do you believe the floral industry as a whole (wholesalers, retail florists, etc.) will benefit by relocating the wholesale markets in new facilities at another site?	Yes 20%	No 54%	Undecided 26%
2)	Do you believe relocating the wholesale markets to new facilities at another location will benefit **your** particular business?	Yes 16.1%	No 61.3%	Undecided 22.6%
3)	In the event both wholesale markets (on both sides of Wall Street) relocate in the same facility, would you want to move **your** business to that new facility?	Yes 60.9%	No 18.8%	Undecided 20.3%
4)	If your market relocated, but the other market stayed in its present location, would you move your business to the other market on Wall Street?	Yes 29%	No 33.8%	Undecided 37.2%
5)	If a decision is made to relocate, do you have any preference as to where the market should relocate?	Yes 37%	No 36%	Undecided 27%

6) If you answered "YES" please identify your preferred location.

7) If the two wholesale markets on Wall Street do relocate, but each to a different location, what would **you** do?

a)	Move with the American Florists' Exchange.	17.8%
b)	Move with the Southern California Flower Growers.	20.9%
c)	Have operations in both markets.	17.8%
d)	Find a new location of my own choosing.	4.8%
e)	Close down my business.	9.7%
f)	I am undecided.	29.0%

8) If both wholesale markets relocate to a freeway accessible, safe, and attractive facility, what do you think those retail florists who are **NOT** now regular customers of the Wall Street markets will do?

a)	**Most** will still **not** come to the new market.	28.3%
b)	**Some** of those not coming now **will begin** to come.	23.3%
c)	**Most** will begin to come.	3.4%
d)	I don't know what they will do.	45.0%

9) In the space below, please tell us why **you** either favor **or** oppose a relocation of the Wall Street markets from their present location. (Write on the back if you need more space.)

Part II

An alternative to having a single (central) wholesale market serving the entire Los Angeles area would be to have three or four regional markets serving areas such as the South Bay, West L.A., the Valley, etc. The following three questions relate to this alternative.

1) Do you think the floral trade would be better served by one central wholesale market **or** by several regional markets?

a) By one central market.	78.3%
b) By several regional markets.	11.6%
c) I don't know.	10.1%

2) If you had the choice, would you want **your** business to operate in one central market **or** to have operations in the several regional markets?

a) I prefer having one operation in a central market.	82.2%
b) I prefer having operations in several regional markets.	4.8%
c) I am undecided.	13.0%

3) Which alternative is **more** likely to attract retail florists who **do not now** regularly buy at the Wall Street markets?

a) A relocated central market.	20.1%
b) Several regional markets.	16.6%
c) It doesn't matter.	25.0%
d) I don't know.	38.3%

Part III

The following questions ask your opinion of issues other than those involving relocation.

1) Do you support **restricting** sales to the general public to certain times and/or places within the wholesale markets?

Yes	No	Undecided
60.3%	24.1%	15.6%

2) Many retail florists would like to see the wholesale markets impose a ban on sales to the general public. Do you support **banning** all "public" sales?

Yes	No	Undecided
30.1%	58.3%	11.6%

3) What portion of **your** total sales is generated from selling to the general public?

a) Less than 10%	66.6%
b) Between 10% and 25%	20.1%
c) Between 25% and 50%	8.3%
d) More than 50%	5.0%

4) Looking ahead over the next few years, what do you see happening to **your** sales both to the **trade** and to the **public**?

A) My sales to the **trade** will:

a) significantly increase	13.0%
b) moderately increase	24.2%
c) stay about the same	24.2%
d) moderately decline	9.6%
e) significantly decline	6.5%
f) I am undecided.	22.5%

B). My sales to the **public** will:

a) significantly increase	13.0%
b) moderately increase	24.1%
c) stay about the same	31.5%
d) moderately decline	3.7%
e) significantly decline	1.8%
f) I am undecided.	25.9%

5) Who do you see as **your major** competitor for retail florist sales? (Please check only **one** option.)

a) Other wholesalers located in the Wall Street markets	17.7%
b) Route men	17.7%
c) Wholesalers **not** located in the Wall Street markets	25.3%
d) Growers selling direct to retail florists	34.2%
e) Other	5.1%

6) Do you think the operating hours of the wholesale market should be changed to better accommodate retail florists?

Yes	No	Undecided
26.2%	52.3%	21.5%

7) If you answered "YES", at what time do you think the markets should open? Note: Few responses to this question, also no pattern.

8) As you know, an auction operates at the Wall Street markets. Which of the following statements best describes your opinion of that auction?

a) It benefits wholesalers by attracting additional business to the Wall Street markets.	6.7%
b) It unfairly competes with wholesale businesses like mine.	56.6%
c) The auction has little or no impact on my business.	25.0%
d) I am undecided.	11.7%

9) A number of reasons have been suggested to explain why many retail florists **do not** shop at the Wall Street markets. Some of those reasons are listed below. Do you think the reason is:

	Very Important	Somewhat Important	Not Important
a) It takes too long to get to the market.	17.8%	35.6%	46.6%
b) The Wall Street markets are unsafe.	48.7%	33.3%	18.0%
c) There is inadequate parking.	37.5%	30.0%	32.5%
d) The markets open too early.	20.5%	15.4%	64.1%
e) Prices are too high.	16.2%	24.3%	59.5%
f) Vendors are rude to customers.	36.6%	31.7%	31.7%
g) Resentment against wholesalers selling to the general public.	46.5%	30.2%	23.3%
h) Quality of merchandise is not always the best.	41.0%	20.5%	38.5%
i) Retail florists are often better or more conveniently served by route men and/or by local wholesalers.	50.0%	34.1%	15.9%
j) Other			

10) Compared to other wholesale firms in the Wall Street markets, I believe my firm is:

a) relatively small.	38.7%
b) about average in size.	37.1%
c) larger than average, but not among the largest.	17.7%
d) among the largest.	6.5%

Appendix C - Grower Survey

A survey questionaire was sent to all growers of floral products in California and to selected growers in neighboring States. The survey was designed with two objectives—to provide some general information about trends in the floral industry and to provide a better understanding about where and to whom growers sell their product. Survey questions and results from the 118 responses received are shown in Exhibit I.

Exhibit I
Growers' Survey Results

1) How many years has your business been operating?

a) Less than 5 years	4.2%
b) 5-10 years	18.6%
c) 11-20 years	27.1%
d) 21 or more years	50.0%

2) Do you expect your business to be in operation 5 years from now?

Yes	No	Undecided
76.3%	11.0%	12.7%

3) If your answer to Question #2 is NO, please indicate why. Check as many responses as apply. (Do not answer if you answered #2 with YES or UNDECIDED.)

a) No one in family to carry on the business	7.7%
b) Retirement	84.6%
c) Land is becoming too valuable to farm	7.7%
d) Business is no longer profitable	76.9%
e) Government regulations	46.2%
f) Other	23.1%

4) How many acres do you currently have under cultivation in floral products?

a) Fewer than 5 acres	21.9%
b) 5-5 acres	35.1%
c) 26-50 acres	14.0%
d) 51 or more acres	28.9%
NUMBER OF RESPONSES	114

5) Approximately how many acres did you have under cultivation 5 years ago and how many acres do you expect to have under cultivation 5 years from now? (Answer only if you answered YES to Question #2).

	5 years ago	5 years from now
a) Fewer than 5 acres	21.4%	12.8%
b) 5-25 acres	35.7%	33.7%
c) 26-50 acres	13.1%	15.1%
d) 51 or more acres	29.8%	38.4%
NUMBER OF RESPONSES	84	86

6) Of the total acreage you have under cultivation in floral products, what percentage is allotted to each of the following?

	Average percentage
a) Potted plants	5.0%
b) Cut flowers (outdoor)	46.9%
c) Cut flowers (indoors)	48.1%
NUMBER OF RESPONSES	110

7) Of the total acreage you have under cultivation in floral products, what percentage is devoted to each of the following?

a) Bedding plants	1.0%
b) Cut greens	7.1%
c) Cut perennials	3.5%
d) Flowering potted plants	4.1%
e) Foliage potted plants	0.8%
f) Fresh cut flowers	77.6%
g) Other	5.9%
NUMBER OF RESPONSES	114

8) Approximately what percentage of your acreage under floral cultivation 5 years ago was devoted to each of the following crops or crop categories, and how do you see this percent changing over the next 5 years? (Answer only if you answered YES to Question #2).

	% 5 years ago	% 5 years from now
a) Bedding plants	1.3%	1.2%
b) Cut greens	6.3%	7.6%
c) Cut perennials	04.0%	4.9%
d) Flowering potted plants	6.1%	5.7%
e) Foliage potted plants	0.1%	0.1%
f) Fresh cut flowers	74.7%	72.0%
g) Other	7.4%	8.4%
NUMBER OF RESPONSES	82	81