“Business is Blooming: The International Floral Industry”

VIDEO DISCUSSION QUESTIONS

March 2018

1. As described in the video, what is the channel structure for an Ecuadorian rose sold in a flower shop in France?

Farm (producer) → Stefan, Buyer (agent) → G&G Cargo, Freight forwarder (agent) → Aalsmeer Wholesale Flower Market (wholesaler) → P&G Delivery Company (agent) → Driver (agent) → Retailer → Consumer

2. Given the nature of the product, is this the channel structure you would expect? Why or why not? What else likely influences this channel’s structure? (Hint: four categories of channel selection factors)

Roses are perishable, so one might expect the channel to be as short as possible. But this channel is quite long, for a number of possible reasons:

- **Market factors:**
  - Geographic location/dispersion – Consumers are located far from the farm and geographically dispersed around the world, so the farm needs intermediaries to help reach them
  - Small average order size – Each consumer only buys a small quantity of flowers, so it wouldn’t be cost-effective for the farm to deal with each of them directly (average order size is small)
  - Expectations – Customers expect to be able to buy roses in flower shops, so the farm should at least have this intermediary in its channel

- **Product factors:**
  - Type of product – Roses are often an impulse purchase, which makes them a convenience product; which means that they should be readily available when and where consumers want them, which means the farm needs multiple intermediaries

- **Organizational factors:**
  - Size/resources – The farm does not have the resources (know-how, facilities, financial ability) to sell its own flowers around the world, so it needs intermediaries to do this

3. What channel conflicts do (or could) occur, and how are they/could they be managed?

Channel conflicts are any disagreements that arise between any members of the distribution channel. Below are some examples of potential conflicts – and examples of what the channel is doing to prevent them:

- Conflict between the farm and the wholesaler, if the roses are not shipped soon enough after being cut and arrive in poor condition.
  - Prevention: the farm focuses on reducing the amount of time between when the roses are cut and when they are plunged in water. Even minutes can make a difference.
  - Prevention: the farm carefully inspects all buds before they are shipped.
b. Conflict between the freight forwarder and the wholesaler, if the Mafia is able to bypass security and slip drugs into the shipment and delay it at Customs.
   • Prevention: the freight forwarder operates at night under strict security.
   • Prevention: each shipment is inspected before it is loaded on to the trucks.

c. Conflict between the retailer and the delivery agent, if the flowers are not delivered on time.
   • Prevention: The delivery company invented the night-delivery system to avoid traffic delays.
   • Prevention: The delivery company established highly efficient delivery routes that allow a single driver to service 50 clients in a single night.