International Seminar of Horticultural Economics and Management
University of Toyama, Japan

Flower Business Strategy in Japan

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AV room, 4th floor, 15:00-17:00, Faculty of Economics
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Agenda

1. Introduction

These are three important points I would like to discuss at this presentation.

Firstly, I estimated statistically the state of new retail channels for flowers (e.g., supermarkets) in Japan to accurately capture the entire picture of the final consumption market of flowers and analyze its temporal transitions.

Secondly, In order to explore how this entire market has changed, we conducted factor analysis from multiple perspectives.

Thirdly, based on the analysis of my findings, I present some of challenges facing the floral industry, and recommended ways for the industry to tackle these challenges in order to reverse the decline in flower consumption.

2. Change in the size of the final consumption market for flowers

During the 1990s, the size of the final market expanded. However, the market showed a declining trend in 2007.

（Units：billion yen、%）

	1991	1994	1997	2002	2007
Size of Final Consumption Market	755.2	843.1	924.1	874.2	829.5
Florists	668.7	738.8	770.8	702.5	609.1
Supermarkets	19.7	24.0	39.4	48.2	76.7
(Food Supermarkets)	14.0	16.6	26.6	32.8	55.5
(General Supermarkets)	5.7	7.4	12.8	15.4	21.2
Other Retailers	66.8	80.3	113.9	123.5	143.5
Florists	88.5%	87.6%	83.4%	80.4%	73.4%
Supermarkets	2.6%	2.8%	4.3%	5.5%	9.2%
(Food Supermarkets)	1.9%	2.0%	2.9%	3.8%	6.7%
(General Supermarkets)	0.8%	0.9%	1.4%	1.8%	2.6%
Other Retailers	8.8%	9.5%	12.3%	14.1%	17.3%
Ratio of Sales of Flowers to that of Grocery in Food Supermarkets	0.10%	0.11%	0.18%	0.24%	0.36%
Sales of Grocery in Food Supermarkets	14,288.2	14,925.3	1,485.0	1,365.9	1,522.8
Ratio of aggregate Flower Consumption to Total Amount of Private Final Consumption Expenditure in GDP	***	0.316%	0.325%	0.309%	0.283%

Source: METI. Census of commerce, Cabinet Office. Annual report on national accounts.

3. Factors determining changes in market size

Overall Economy

Retail Channels

Usage

Expenditure in Households

Ages of Householders

4. Change in sales by retail channels

Florists hold over 73% of the sales share, being the main channel.

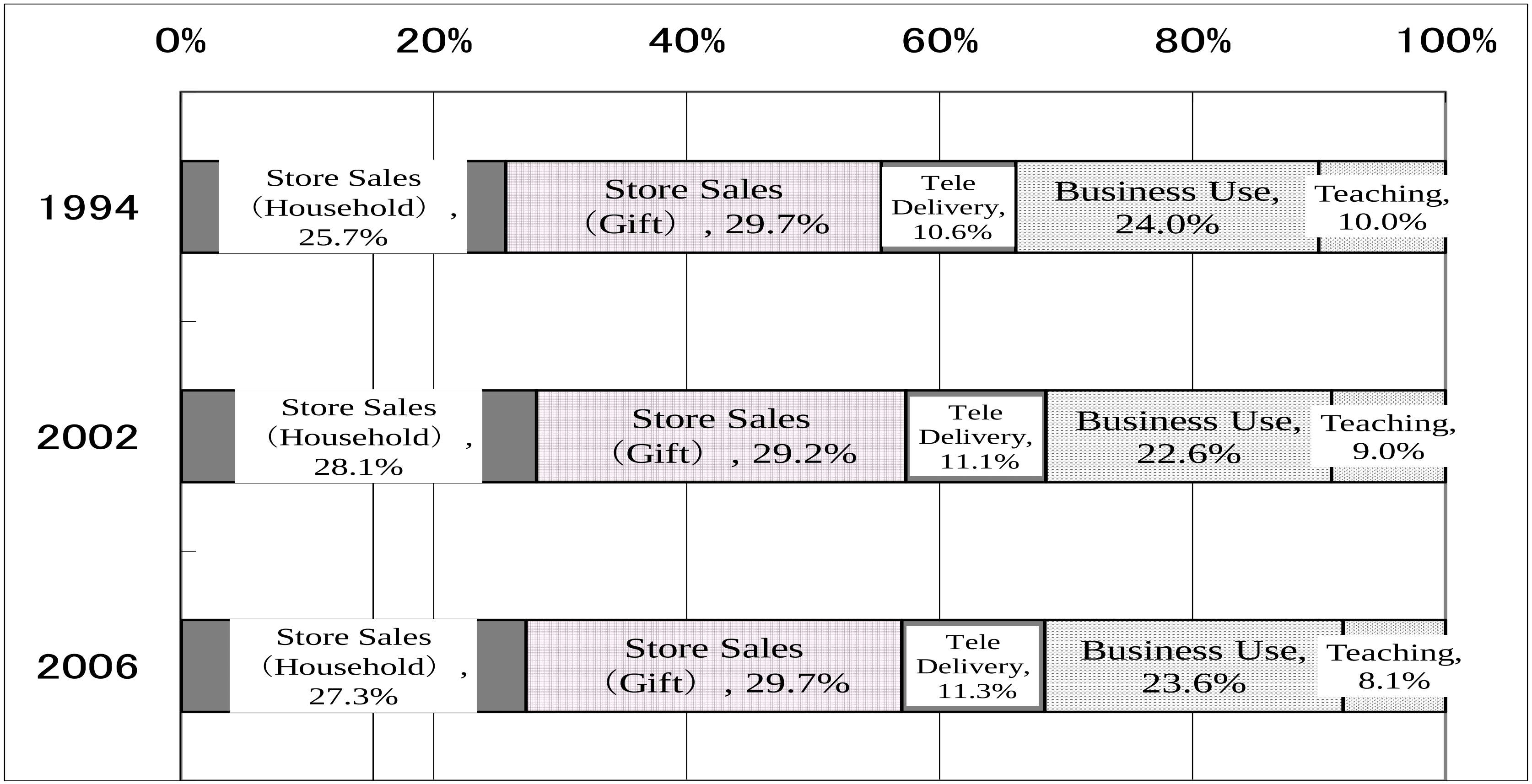
The share of florists is declining, with 88.5% in 1991 to 73.4% in 2007.

An increase in the share is seen in supermarkets, with 2.6% in 1991 to 9.2% in 2007, and in other retailers(mainly sales at home improvement centers)with an increase of 8.8% to 17.3% during the same period.

The amount of sales of flowers at supermarkets and other retailers shows a continual upward trend.

5. Change in sales share by usage of flowers

The share of household demand has increased.



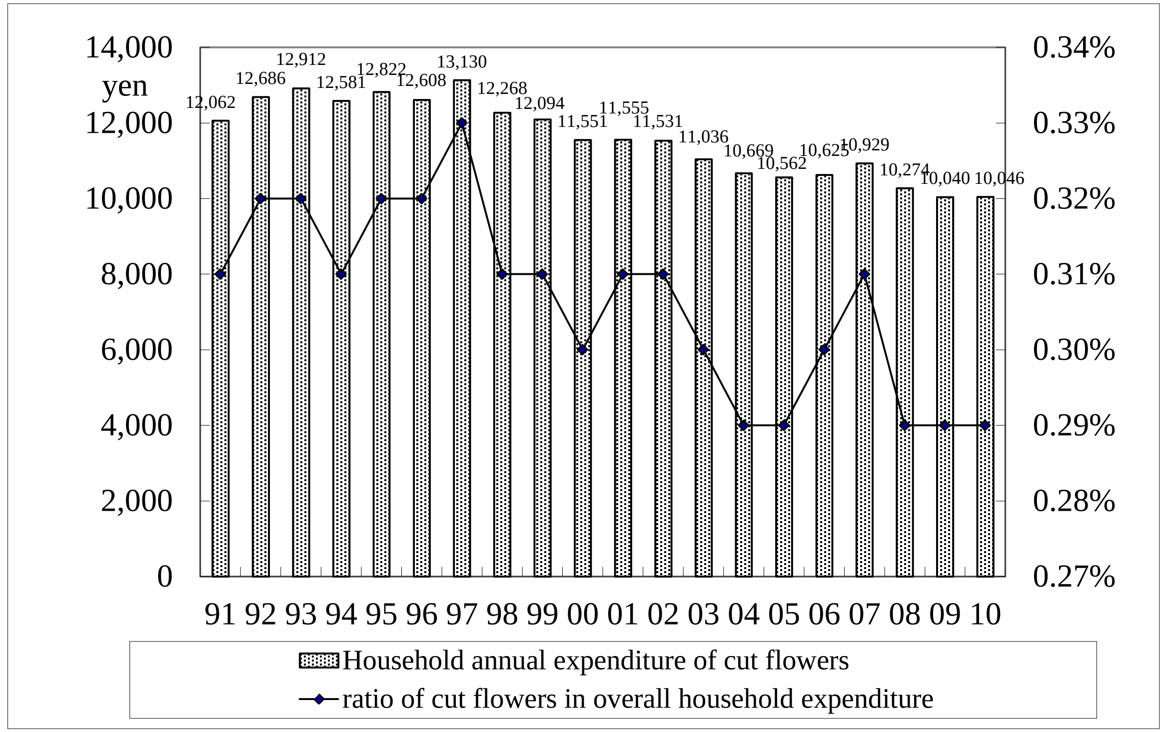
Source: MAFF. Flower consumption research by usage.

6. Change by cut flowers expenditure in households

The average annual cut flowers expenditure per household increased during the1990s, which peaked in 1997 at 13,130 yen.

There was an increase of 8.9% in expenditure, from 1991 to 1997.

In the following years, the expenditure decreased.



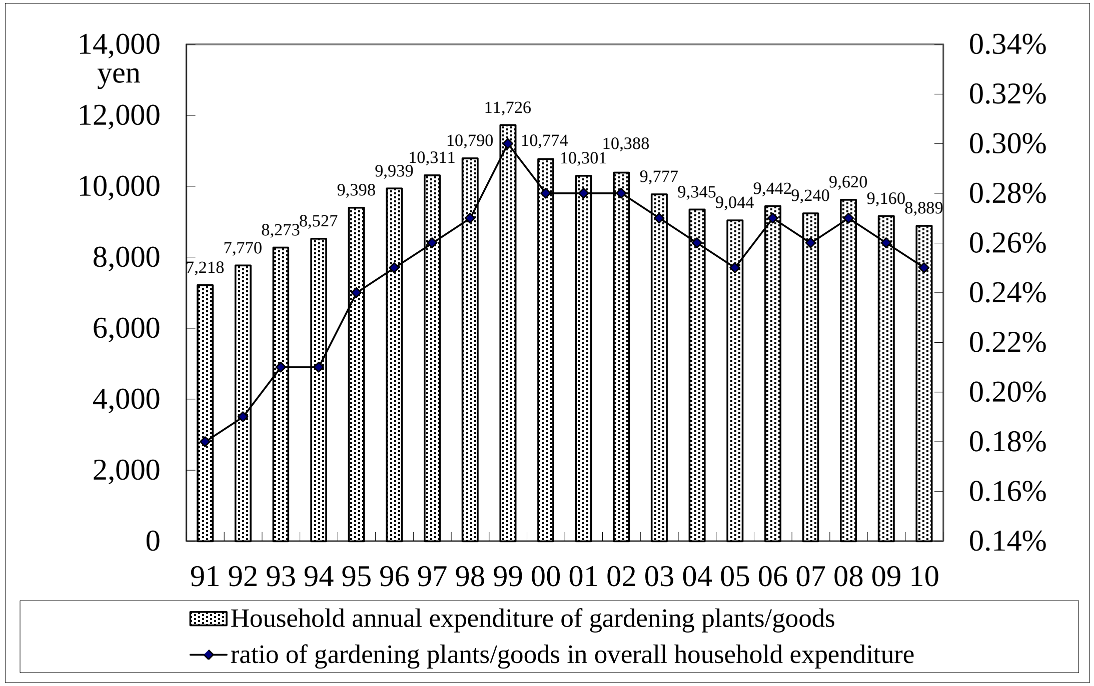
Source: MIC. Annual report on the family income and expenditure survey.

7. Change by gardening plants/goods expenditure

The household consumption of gardening plants/goods showed a larger change compared with cut flowers.

The increasing trend continued from 7,218 yen in 1991 to 11,726 yen in 1999, with a percentage change of 62.5%.

After 2000, it showed a decreasing trend.

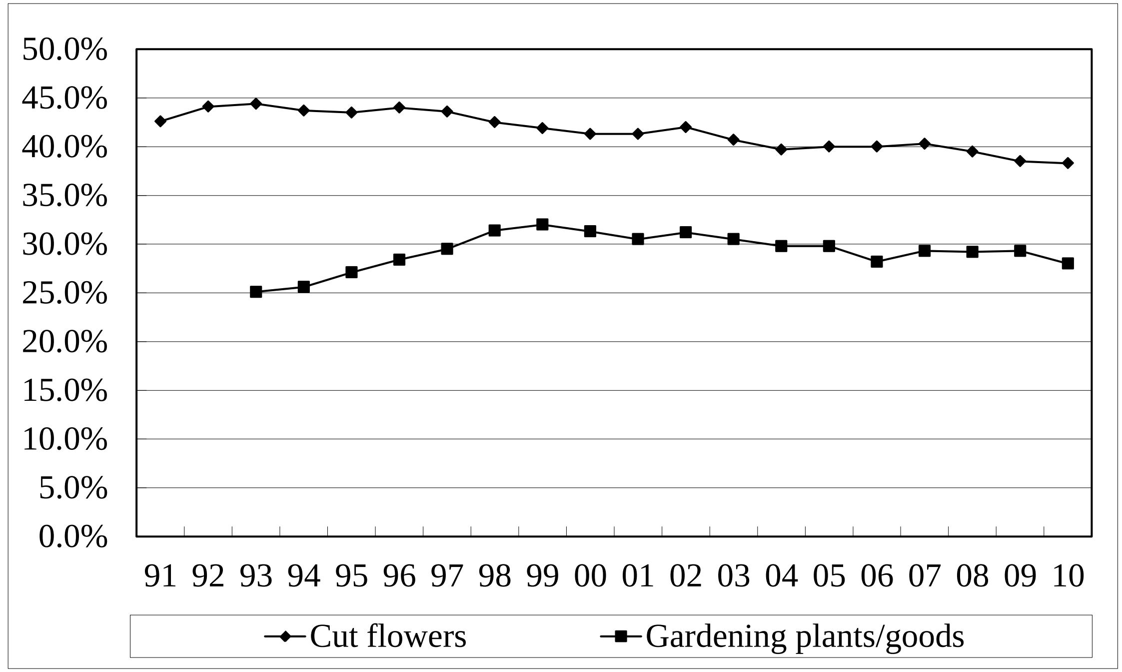


Source: MIC. Annual report on the family income and expenditure survey.

8. Ratio of households purchasing

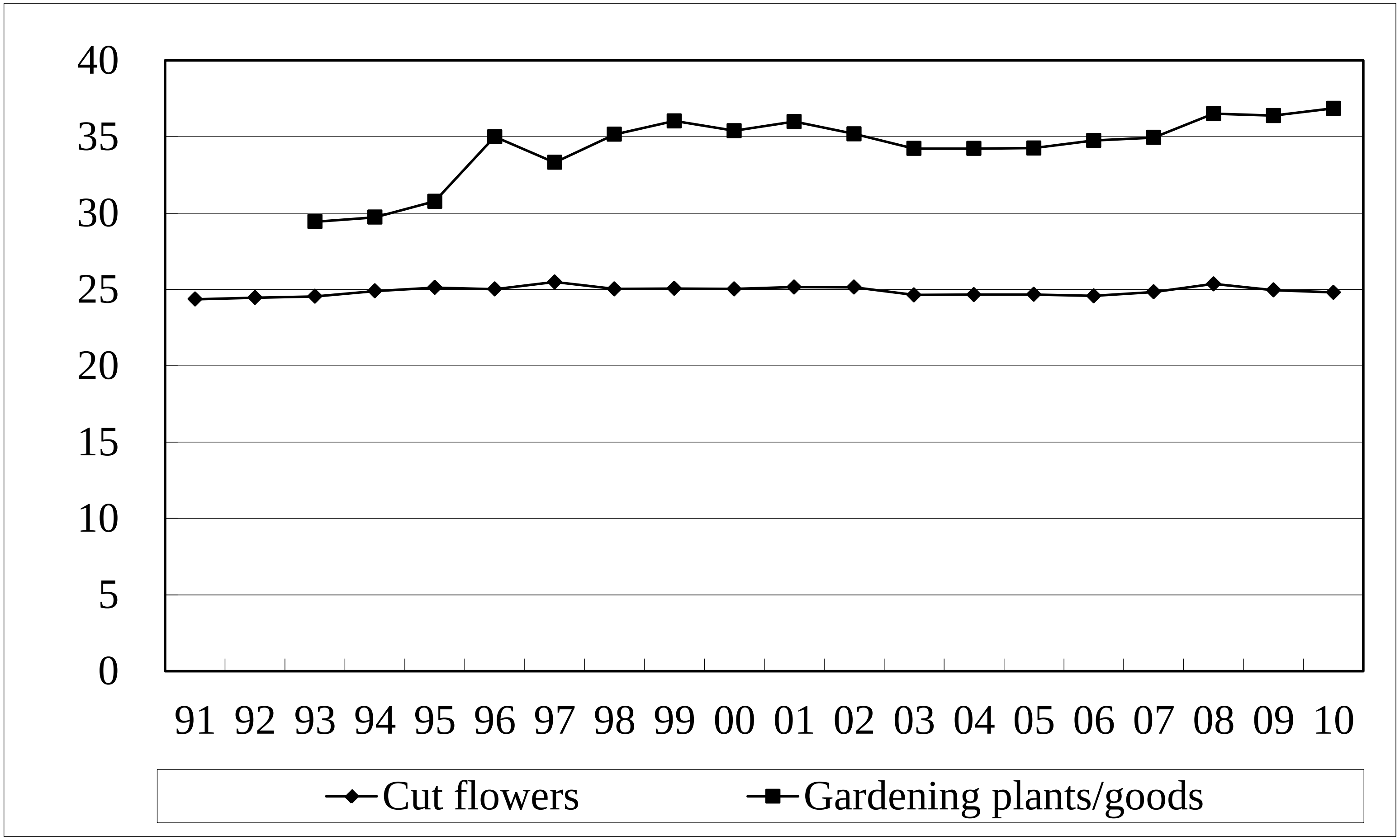
The ratio of households purchasing cut flowers did not show any drastic change during the 1990s. After 1997, the ratio gradually began to decrease.

The ratio of households purchasing gardening plants/goods increased from 25.1% in 1993 to 32% in 1999, and has also shown a declining trend since then.



Source: MIC. Annual report on the family income and expenditure survey.

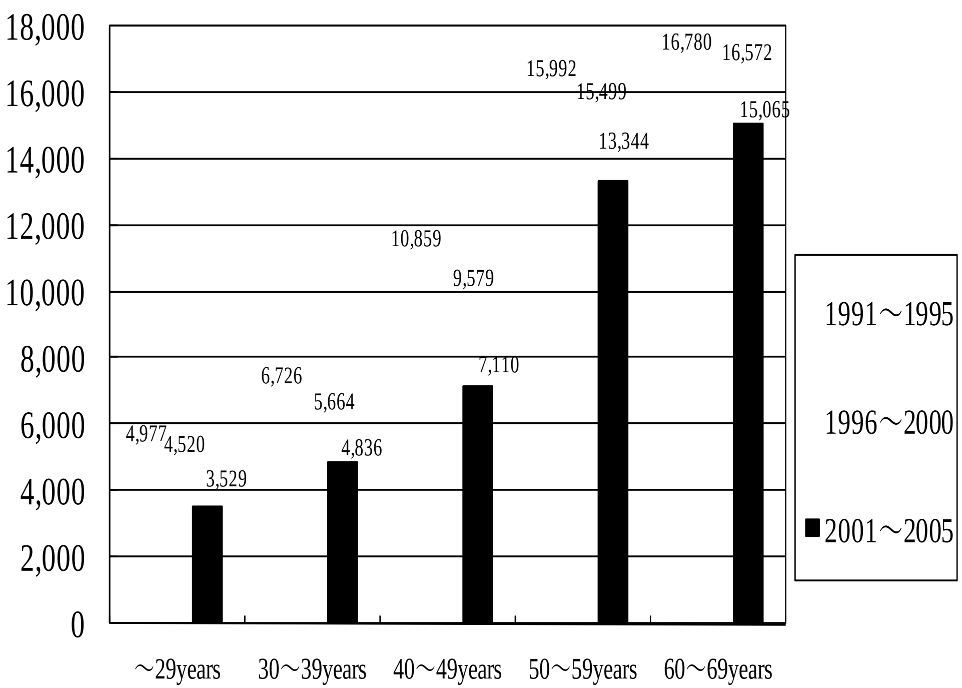
9. Number of times per year in the buyer purchase



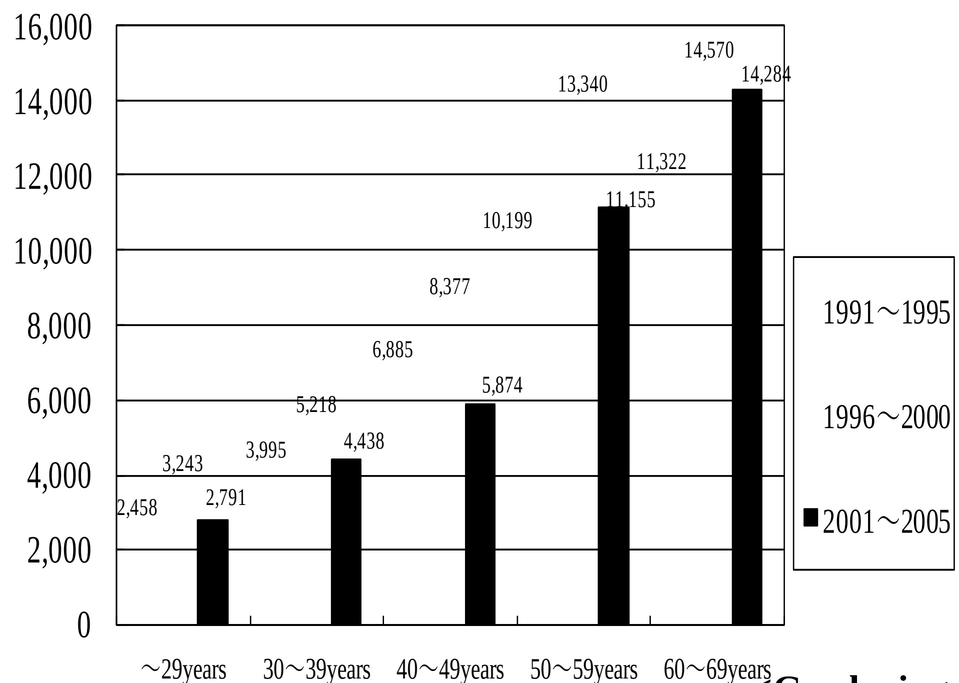
Source: MIC. Annual report on the family income and expenditure survey.

10. Change in household expenditure by age of householders

Older age groups spent more on both cut flowers and gardening plants/goods.



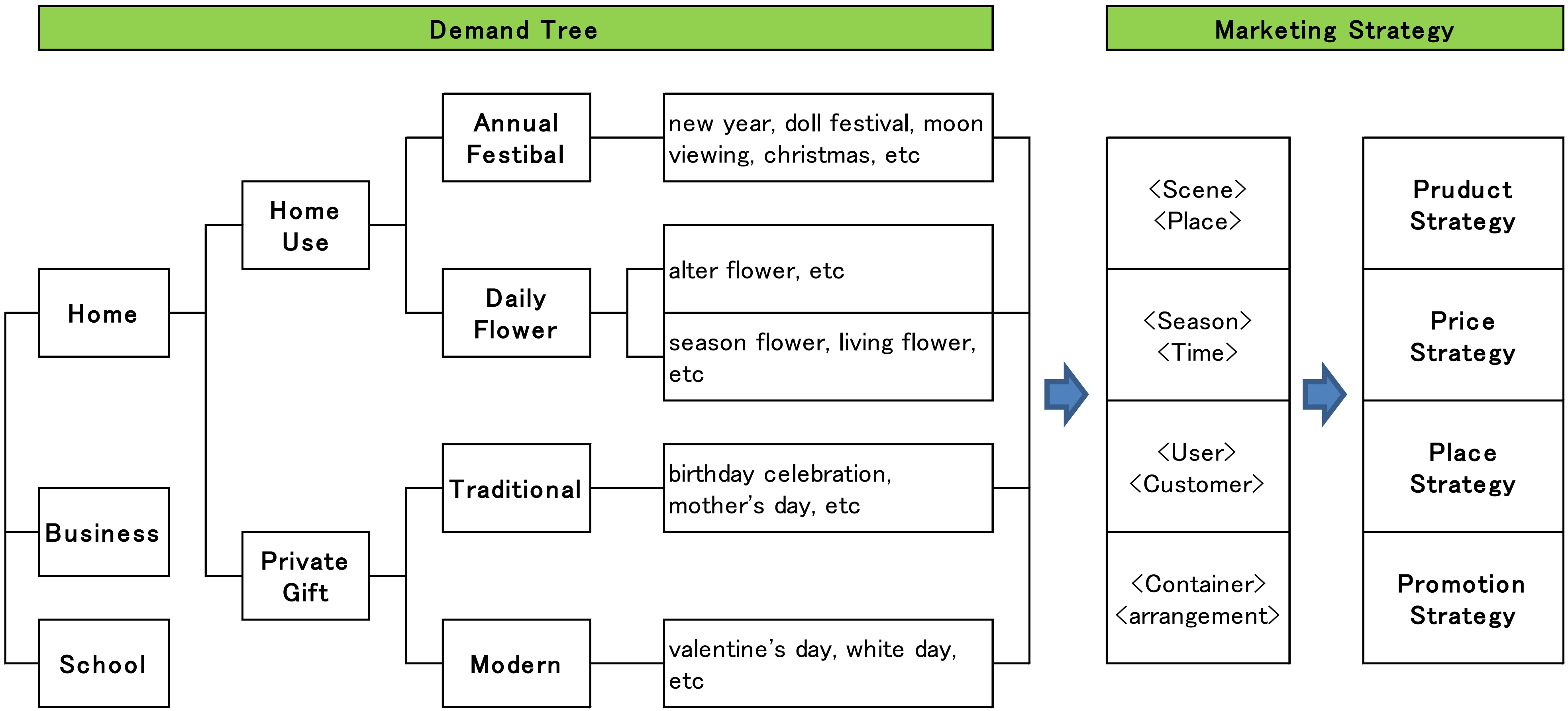
<Cut Flowers>



<Gardening plants/goods>

Source: MIC. Annual report on the family income and expenditure survey.

11. Demand Tree and marketing strategy



12. Discussion and implications

Ever since the 2000s floriculture products have shown a decrease. In order to avoid this movement, demand must be increased by marketing strategy.

The demand for flowers intended for traditional purposes has not increased. Therefore, besides there needs to be continuous demonstration of the different ways of enjoying flowers in daily routine such as with the change in season and/or giving flowers as casual gifts.

Mass retail routes such as supermarkets continue to expand as new retail channels for cut flowers. They must continue their efforts to increase consumer demands.

Thank you for your attention....

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Memo