

News, views and backgrounds

CBI **news**

BULLETIN



Intellectual property rights
part 5: Licensing and franchising



Building bridges with Bosnia's BSOs



Pipes and Process Equipment,
India rising



Even in the blossoming flower markets
success may come and go

Never a bed of roses

Never a bed of roses

Even in the blossoming flower market, success can be here today and gone tomorrow, warns consultant Milco Rikken

By Stephen D. Teeuwen

Despite the proverbial transience of flowers – here today, gone tomorrow – the global floricultural market is a strong sector that boosts many local economies and has shown steady growth for decades. But that doesn't mean flower export is a matter of just picking daisies. On the contrary: as the global market slowly tightens, businesses that fall short in professionalism and added value may soon be withering, warns market analyst and CBI consultant Milco Rikken.

If you want to know what developments await flower exporters in developing countries, you might get a good idea by looking at the Netherlands. Playing a pivotal role in the world's flower trade, the Dutch floricultural industry is currently undergoing major changes. Although flower consumption keeps growing throughout Europe and the rest of the world, margins are steadily shrinking and Dutch flower farmers are looking for solutions, says Milco Rikken. "We're seeing many Dutch firms either upscaling – in which case their preferred distribution channel is often the supermarkets – or specialising in niche products or methods, which usually means they sell through the Dutch auctions because special products tend to fetch a higher price there. Some have had to transform themselves

from flower growers into highly effective marketing specialists. Those who don't go along with these changes may soon be out of business." The push to either upscale or specialise – and the inevitability of dealing with issues like cost-efficiency and quality management along the way – is the major trend in the Dutch market today, says Rikken. And he's one to know. Raised on a Dutch pot plant farm, Rikken, aged 36, has been waist-high in foliage all his life. After studying economy and international relations in Rotterdam and Costa Rica, he spent part of his career thus far working as a market analyst at the very heart of the global flower and plant industry: the Dutch Aalsmeer flower auction. He already began writing market and feasibility studies for the CBI in '96, and joined the export development programmes for flowers and plants in 2003. "What I enjoy about the CBI programme is that it encompasses the broader scope of sector development as well as the more hands-on business of individual company support. Translating sector-wide needs into effective strategies for individual companies to me is a big challenge."

Reverberations in Africa

If his own forecast is correct, Rikken and his CBI colleagues will have a lot of 'translating' to do within the flower programme. Because the impending shakeout in the Dutch market is bound to reverberate further afield in the second tier of exporters – from big-timers Kenya, Israel and Colombia to smaller players like Ecuador, Uganda, Zambia, Zimbabwe, Egypt and Ethiopia. "In Kenya, which is Europe's largest flower supplier from the



The CBI consultant Milco Rikken (photo: Procomm Communicatieproducties, Sjoerd de Jonge).

developing world, we're seeing a similar development as the one I described for the Netherlands", continues Rikken. "The era in which farmers could increase their income simply by cultivating more land and growing more flowers seems to be coming to an end there, too. Kenyan farmers who want to stay at the forefront of the market now face the challenge of making structural internal improvements. The pressure is not as high as it is in the Netherlands, but it may be within the next few years.

A few countries, like Ethiopia, which is relatively new on the flower market, may still escape the pressure because wages there are still so low that they won't need to worry about their margins just yet – but even there the pressure will mount sooner or later." The two solutions most often applied by Dutch growers, upscaling or specialising, generally will work in Africa or South America, too – provided the groundwork has been done thoroughly in the areas of production (stems per square metre), quality, cost-efficiency, logistics and marketing. Says Rikken, "A model we recently developed with the CBI shows that a healthy company develops itself consecutively in each of those five areas. The better your performance in all five areas, the better your chances."

The courage to choose

The CBI's current flower programme started in 2000 and ends in 2007. Participants include growers from Egypt, Kenya, Uganda and Zambia. Though conditions and levels of development vary, Rikken has observed three key issues they all face

in the scramble for long-term success. The first is what he calls 'having the courage to choose a strategy'. "Too many farmers in developing countries don't choose a strategy. Either they think they'll be fine doing what they've always done but just doing it a little better, or they're afraid to focus on one window of opportunity because it means closing another. But in order to succeed, you have to choose. It involves tough questions like, 'Am I a grower or a marketeer? Could my farm excel with certain special varieties or should we aim for high volumes of more common varieties?'"

Rikken tells exporters they have to look outward as well as inward. "The best thing to do is start by looking at the market and finding out what's really happening out there. For instance, many African exporters are unaware of the fact that Europe has two very distinct distribution channels: the supermarkets and the specialised channel, which comprises mainly small flower shops. They are so different, you can't possibly aim for both. So in the CBI programme we help exporters find out what the differences are. Then we encourage them to take that information and compare it with their own profile. Once they've made a choice, it will be much easier to create a more stream-lined organisation."

The second key to success is teamwork. Rikken: "Farmers that work together stand a far better chance of acquiring a good position on the market and keeping it than loners."

The third key to success has to do with cross-continent teamwork. Rikken: "We've found exporters who develop a strong partnership with their importer in Europe are always more successful than those who don't. You may have an importer or agent who has a good name, but if you're just one of many companies in his portfolio, your business won't get the attention it needs."

Market tours

Over the years the CBI has developed an excellent set of tools to help exporters face these issues head-on. Following previous successes with the Egyptian, Ugandan and Zambian participants, this November a group of flower exporters from Kenya will join a CBI market tour. During the tour they will not only visit Amsterdam's Hortifair trade event, but also have meetings with importers, breeders, retailers, logistical and other experts to find out first-hand how the Dutch and European markets operate. On top of that, the CBI will enable them to present themselves to anyone they wish to invite at a so-called 'meeting event' during Hortifair: the CBI will facilitate, but it's up to the participants to identify prospects and prepare a good presentation.

Meanwhile, back at the farms, another CBI tool is finding good usage: the so-called 'clustered farm visits', in which farmers visit each other's companies as a group to discuss hot issues. Several participants have already agreed to continue these visits after the CBI programme ends next year. Says Rikken: "That's what the CBI is all about. Helping exporters in the right direction and equipping them to then keeping moving ahead on their own steam."