

# What competition do you face on the European cut flowers and foliage market?

Competition on the European market is strong. The market power of suppliers is generally low and competition from developing countries is increasing. However, the demand for cut flowers and foliage is increasing in most European markets and prices were generally good in 2016. Adherence to quality and sustainable production standards, plant health requirements and other buyer requirements are important factors for being and remaining competitive.

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## 1. Market entry - what are the opportunities and barriers when I try to enter the market?

### Quality and professional business practices are crucial to enter the European market

After some years of slow market growth, the European market for cut flowers and foliage has picked up in recent years. This offers new opportunities for suppliers from developing countries. The business has undergone considerable change. Improved vase life, E-trade, and increased demand for certification are some of the changes. An increase in professionalism along the chain and strong competition means that suppliers have to continuously improve their offer and business practices.

Getting certified is a first step

Supplying the European market is not for everyone. Several barriers must be overcome. Adopting quality standards and acquiring certifications are almost a necessity to enter the European market. Depending on which sales channel you are targeting (make a plan!) different standards are required.

#### Tips:

See our study about [Buyer requirements for cut flowers and foliage in Europe](#) for more information.

Find more information about different certification schemes at [ITC Standards Map](#).

Phytosanitary controls become more stringent

Imports are checked for hazardous organisms at the European border. Technological improvements such as DNA sequencing techniques are expected to lead to an increase in the number of organisms that are checked for and detected. Exporters from developing countries should therefore ensure that their products are free from any harmful organisms.

### **Tips:**

Keep up to date with European rules and regulations concerning phytosanitary controls. Specific information on EU regulations can be found at the [EU export Helpdesk](#).

Contact your [national plant protection organisation](#) for the latest relevant information and best ways to stay informed.

For more information on requirements regarding plant health see our study about [Buyer requirements](#).

Import tariffs may apply

A general import tariff for cut flowers applies. However, many developing countries can benefit from (temporary) tariff exemptions. From time to time, new negotiations about import tariffs will arise which may seriously affect the export opportunities for some countries.

### **Tips:**

Check the [ITC Market Access Map](#) for up-to-date information on import tariffs.

Enforcement of plant breeders' rights is a real concern

Plant breeders' rights – that give the breeder of a new plant variety exclusive control over its propagation material and commercial use – are essential to safeguard the development of new commercial varieties. Throughout Europe, there is strong awareness among traders and retailers that European and non-European growers have to comply with these international standards. There is also increasing enforcement of these international agreements.

### **Tips:**

Make sure that royalties are paid so that flowers are not confiscated or your relationship with breeders damaged.

UPOV is the International Union for the Protection of New Varieties of Plants where you will find more information about [plant breeders' rights protection](#).

Expert knowledge and technical facilities required

To supply the European market requires a considerable investment and access to advanced knowledge about growing quality flowers, and post-harvest treatment and logistics. Access to airports and cold chain facilities are very important as well. For inexperienced producers it is difficult to enter the European market. The flower auction [Royal FloraHolland](#) in the Netherlands is a relatively accessible marketplace. For exporters supplying the flower auction, investments in marketing and sales remain limited.

### **Tips:**

Consider supplying to the Dutch flower auction [Royal FloraHolland](#) if you do not have a lot of experience.

Keep in mind however that quality, plant health, packaging and product information are important everywhere.

Importers switch relatively easily

In case of non-compliance to quality standards, poor communication and information provision, poor packaging, or non-timely delivery, buyers will switch to other suppliers relatively easily. In most cases, non-compliance to volume and quality terms of the contract may even result in a financial claim from the buyer.

### **Tip:**

Do not enter into a contract that you may not manage to fulfil. You may face by a financial claim and serious damage to your reputation.

## **2. Product competition - what are substitute products?**

### **Flowers as gifts face competition from other gift products, while the personal use market is expanding more rapidly**

Flowers are bought for home decoration, as gifts and for events such as funerals and weddings. In north-western Europe more than half of the flowers is bought for personal use, while in southern and eastern Europe flowers are bought more often as gifts. While the gift market may be threatened from competition from other gift products, this is less true for flowers as home decoration. As incomes are increasing and supermarkets gain market share in most of Europe, this could be a real opportunity for the cut flower industry.

The market for flowers as a present is changing

The gift market for flowers is threatened by various substitute products (e.g. gift cards, wine, sweets and chocolate). Younger people are less inclined to buy flowers as gifts. The floriculture trade is facing a major challenge to reach out to younger and future consumers. Social media, television programmes and special advertising campaigns are being used to attract new buyers. Attractive packaging and combinations of cut flowers with other gift items are being introduced to add to the appeal of flowers.

### **Tips:**

If you target the florist channel, attractive packaging and additional information about the product (storytelling) add value to the flowers as a gift product. Target not only the wholesalers with your marketing efforts, but also consider targeting florists directly through florist events and social media.

Trends in flowers for home decoration are closely related to other trends in home decoration and trends in fashion. Fashion colours change each season. Diversify your colour range and find out which colours are expected to be in demand in the coming season.

Competition varies during the season

Open-field tulips and other bulb flowers are abundantly available from the Netherlands from March onwards. In the summer (from June to the end of August), demand is lower and domestic supply from Europe is higher, resulting in lower imports from developing countries. In some countries – like Sweden, Norway and Denmark, France and Italy – seasonal flowers are popular, meaning that demand for these flowers is increasing when they are traditionally available from local European growers.

### Tip:

First investigate the seasonal pattern of supply and demand and the seasonal price developments in the different markets that you are targeting.

## 3. Company competition, position in the supply chain - How much power do I have as a supplier, when negotiating with buyers?

### Market power of suppliers of cut flowers is limited

As a supplier, your bargaining power in the European market is rather limited. Supplying to the Dutch flower auction (or another auction in e.g. Germany, France or Italy) will yield market prices that can vary from day to day with little influence on the price formation mechanism. There is no room for negotiation as demand and supply at the auction clock determines the price. But prices in the direct trade channel fluctuate as well and your bargaining power is generally equally low.

[Auction presales](#) is a way of selling flowers at the Dutch flower auction before the actual auctioning process takes place and is a way of setting your own minimum prices. If your company has a good reputation and your products are in demand, this might result in slightly higher prices. Nevertheless, competition is vigorous.

### Tips:

Be a consistent supplier and deliver only good quality products. In that way buyer may learn to appreciate your company and your products and be more inclined to pay a good price.

Communicate directly with your customers (visit top-10 buyers on the auction clock) to develop a relationship based on trust and mutual respect.

Contact Royal FloraHolland to learn more about [auction presales](#).

Large retailers are powerful buyers

The number of large supermarket buying organisations in Europe is limited and as a result they are concentrated with increasing buyer power. Supplying directly to importers for large supermarkets means somewhat more direct influence on the bargaining process in comparison with the auction clock. However, you will need in-depth knowledge of the European market to be able to really negotiate prices.

### **Tips:**

Be aware that large retailers (through their wholesale suppliers or directly) have a strong control over the supply chain. You will need to make sure that you can fulfil all their demands before deciding to supply to large retailers. If you can, ask competitors that already supply to large supermarkets about their experiences.

For more information on the differences between the various market channels see our study about [market channels and segments for cut flowers and foliage in Europe](#).

In the florist channel there is more room for specialty products and smaller volumes

The traditional wholesale channel that supplies the majority of florists throughout Europe is a different world altogether. The specialised florists are fragmented and have specific needs. Flower shops demand small quantities and more varieties of flowers and this requires a complex logistical service arrangement. As a result the wholesalers in this market channel are specialised in small quantities. The auction clock system equalises the balance of power between suppliers and buyers to some extent.

### **Tips:**

Keep informed about developments in assortment by reading magazines and visiting breeders' trials. Talk to colleagues and customers about the latest developments in flower specialties.

Have a test plot where you can test new varieties in small quantities and test the reaction of buyers before producing larger amounts.

The choice of variety is important

Product differentiation and productivity in the floricultural industry is determined to a large extent by the choice of variety. Not every breeding company supplies the latest varieties to every exporting grower. To a large extent, the right variety often determines your bargaining power and, as a result, the sales price.

### **Tips:**

Develop a proper assortment plan and stick to it. Ask yourself questions such as: Is your focus on mainstream or niche products? What is your target market segment and what products do they require?

When selecting a variety consider both cultivation and market factors. Are you able to produce the product efficiently and will you be able to sell it for a good price?

## **4. Company competition, position in the market - Who are my**

## rivals?

### Competition from both domestic growers and growers from developing countries is strong

There are two major streams of flowers on the European market. The domestic production and the imported production. Competition has been increasing in recent years, and it is expected to remain fierce in the next 5-10 years. Supply from Africa and South America is constantly increasing, as is the assortment of imported flowers.

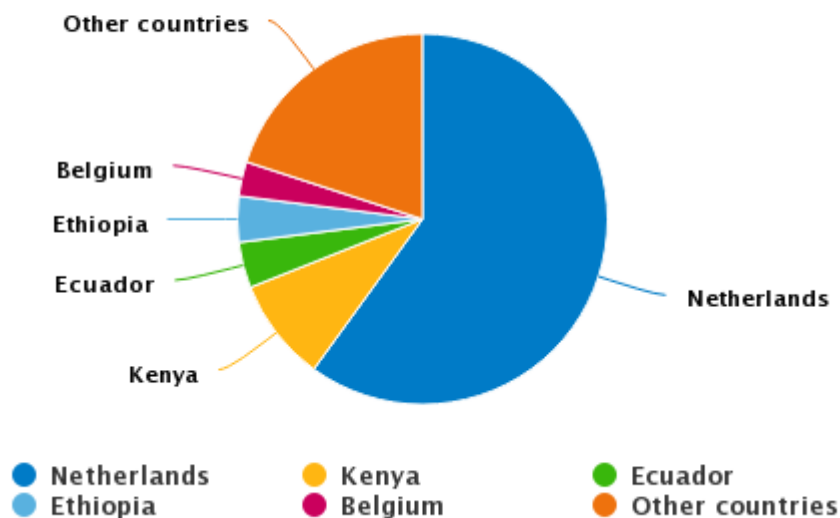
Production in Europe is expanding too

Within Europe, competition from local growers in the Netherlands, Italy, France, Spain and a host of other countries is strong. Dutch growers offer a wide range of products, from tulips and other bulb flowers, special roses, to gerberas, lilies, chrysanthemums, freesias, Lisianthus (*Eustoma russellianum*) and other summer flowers. Although production of flowers in greenhouses has somewhat decreased in the Netherlands, the total (open-field and protected) area in use for flower production is still growing.

Kenya, Ecuador, Ethiopia and Colombia are the leading suppliers from developing countries. Other competition comes from countries such as Israel. Imports from Turkey and Morocco have also been growing quickly over the past five years. Currently, unrest in the Ethiopian flower industry is resulting in lower supply from the country.

**Figure 1: Division of import value of cut flowers and foliage in the EU-28 market (including re-exports)**

By country of origin, in %, in 2015



Source: Eurostat Comext.

The assortment of imported flowers is changing

Imports of cut flowers from developing countries consists mainly of roses, carnations, summer flowers and tropical flowers. The smaller rose type production has almost completely disappeared in Europe due to the fierce price competition from mainly Africa. But larger quality roses are now also being imported from a variety of countries in South America (mainly Ecuador) and Africa (Ethiopia, Kenya).

In the past, larger T-hybrid roses were only supplied by Latin American and Dutch growers, but nowadays supply from Africa can compete on quality. There is also a trend towards imports of other cut flowers that were

traditionally the sole domain of local growers in Europe. Chrysanthemums and hydrangeas from developing countries are now competing with Dutch flowers. This offers new opportunities for growers in developing countries to diversify their assortment.

### Tips:

Stay informed about market developments by reading online trade news and magazines. Some examples are [Flowerweb](#), [Floraculture International](#) and [Hortinews](#).

Stay informed about cultivation and marketing techniques in other production regions by doing such things as visiting trade fairs.

Meet your competitors at international trade events.

Product differentiation and quality are key

Any country with suitable climatic conditions and reasonable infrastructure might supply the European market with flowers. Therefore the threat of new entrants is always there. Latin American producers are increasingly looking for alternative markets. Some countries in Asia are also gradually improving their production of cut flowers for exports. The number of exporting countries is expected to further increase in the next five years. For this reason, it is very important to stand out and build long-term relationships.

Distinguishing yourself from the competition is not easy. Although the right certification schemes can help, they are not sufficient on their own. Most importers work with a limited number of trusted suppliers. They are willing to try new suppliers, but you should avoid damaging their trust at all costs.

### Tips:


Be consistent and reliable. Although they might occasionally offer a second chance to make up for mistakes, third chances are rare.


Another way to differentiate yourself from the competition is by having access to new varieties through partnerships with breeding companies.


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