

The Use of B2B E-commerce Technologies in the Floral Industry

Dr. Melinda Knuth

Food and Resource Economics Department, Mid-Florida Research and Education Center, UF/IFAS

Dr. Charlie Hall

Ellison Chair in International Floriculture, Department of Horticultural Sciences, Texas A&M University

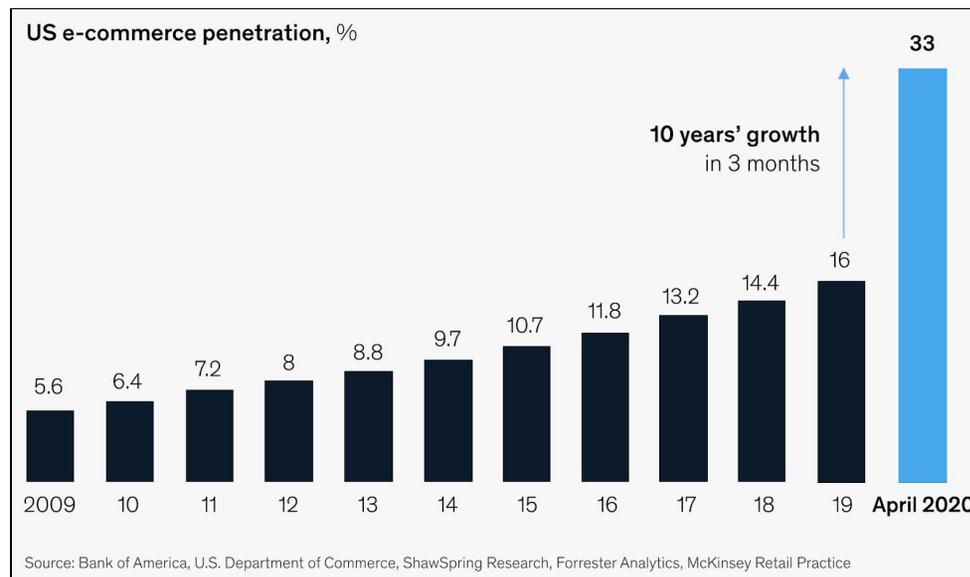
Dr. Marco Palma

Professor and Director of the Human Behavior Lab, Department of Agricultural Economics, Texas A&M University



Executive Summary

Much has been written regarding the structural changes occurring in the floral industry including trade magazine articles, market research reports, industry white papers, and academic journal articles. Nine floral associations commissioned and funded an initial study to compile relevant secondary research and/or data in order to benchmark industry trends and to determine gaps in the available information that can be further researched and analyzed. These gaps were prioritized and the study being reported on in this report was the number one priority -- the status of current (and planned) usage of B2B (business-to-business) technologies in the floral industry. This project was considered to be particularly relevant because of the shift towards digital platforms during the COVID-19 pandemic (see figure below).



B2B e-commerce stands for business-to-business electronic commerce and refers to online transactions between businesses involving electronic tools or technologies (e.g. e-commerce websites, web-procurement software, vertical market networks, online marketplaces, etc.). An example of a B2B transaction is when a manufacturer sells products directly to retail customers using an online webshop, or, even perhaps, selling directly to end consumers via an online marketplace. Based on the findings in the initial study, a questionnaire

was developed and approved by each of the funding entities, who disseminated the survey in early summer 2020 using their respective membership lists, ensuring representation by companies participating in each sector in the floral industry supply chain.

A total of 306 firms responded to the survey. As anticipated, a large portion (44%) of the respondents were from the retail sector including brick and mortar (B&M) florists and online florists. Least represented firms were from the distribution and manufacturing sectors, which intuitively makes sense since we know from the make-up of the industry that there are far fewer manufacturers and distributors than retail outlets. Other characteristics of the sample frame include:

- Approximately 50% of respondents believe e-commerce will account for 21-80% of their revenue in 5 years. About 31% believe that 1-20% of their revenue will come from e-commerce in the future. On the extremes, 8% believe that e-commerce will comprise none of their revenue and 4% believe that all or nearly all of their revenue will come from e-commerce.
- About 63% of the respondents employ fewer than 25 people, with another 25% hiring 26 to 200 employees, and 13% employ over 200 employees.
- Interestingly, 16% of the respondents have no official business location and another 61% only have one location. Slightly less than a quarter of the respondents (23%) indicated that they operate 2 or more locations.
- The majority (60%) of the respondents have been in business for more than 20 years. Only 3% have been in business a year or less and 7% have either been in business 2-5 years or 6-10 years.

It appears that there is a relatively low percentage of firms utilizing e-commerce services currently. Only two of the services or technologies were used by more than half of the respondents either as a seller or as a buyer -- email marketing and social media marketing.

- As sellers, most businesses are using business analytics, customer reviews, e-commerce platforms, email marketing, fulfillment, payment processing, site design, and social media marketing when selling a product.
- As buyers, no service was overwhelmingly utilized, but e-commerce platforms, email marketing, order management, payment processing, and payment security were the most utilized of the services used by firms.
- Most businesses, as either sellers or buyers, do not utilize affiliate marketing, comparison engine feeds, customer relationship management software, customer services software, enterprise resource planning software, live chats on their website, marketplace management, rich media, shipping carrier integration, or website testing/optimization.

- Online florists utilized the greatest number of e-commerce tools and technologies including analytics, content delivery, content management, customer reviews, customer service software, e-commerce platform, email marketing, marketplace management, mobile commerce, online advertising, order management, payment processing, payment security, personalization, search engine marketing, site design, site search, social media marketing, web analytics, web hosting, web performance management, and website testing/optimization. Because their interaction with their customers is almost exclusively online, the frequency of use and the sophistication of technologies used would naturally be higher than other business types.

Historically, there has been some negativity associated with selling **omnichannel** and disrupting the traditional supply chain relationships. Yet, we see firms become more omnichannel as technology allows them. As predicted in the main report literature review and interviews, a great majority of the respondents consider themselves to be omnichannel (82%). Additionally, 40% of firms disagree or strongly disagree that selling online to a wider customer base creates channel conflict and another 40% feel neutrally that it creates channel conflict. This represents a major “sea change” in the industry.

- When comparing e-commerce components used by firm type, 51% of brick and mortar florists use their own webstore, 55% use social media, 56% use their physical store as part of their omnichannel strategy. Twenty percent of firms use mobile apps, 34% use email marketing with buy buttons, and 17% use faxing.
- Online florists use their own website (50%), social media (50%), email marketing with buy buttons (38%), and a physical store (44%) as part of their omnichannel strategy. Less than 15% use a distributor’s webstore, mobile apps (13%), B2B marketplaces (6%), call centers (13%), mail order (6%), and faxing (6%).
- Supermarkets use social media (20%) and mail orders (20%) as part of their omnichannel strategy.
- Wholesale florists use their own webstore (25%), social media (41%), B2B marketplace (20%), call centers (24%), a physical store (36%), and faxing (22%) as part of their omnichannel strategy. Less than 15% of wholesale florists use a distributor’s webstore, mobile apps, email marketing with buy buttons, and other services.
- Wire Services use their own webstore (68%), social media (68%), email marketing with buy buttons (33%), a physical store (68%), and mail ordering (33%).
- Domestic growers use their own webstore (31%), social media (49%), call centers (23%), and a physical store (23%). Less than 15% of domestic growers use a distributor’s webstore (3%), mobile apps (6%), B2B marketplace (9%), mail ordering (3%), faxing (11%), and other services (11%).
- International growers use their own webstore (23%), social media (46%), and mail ordering (46%). Less than 15% of international growers use mobile apps, email marketing with buy buttons, call centers, and faxing.

- Importers use their own webstore (39%), social media (50%), mobile apps (17%), email marketing with buy buttons (22%), B2B marketplace (39%), call center (33%), and a physical store (22%). Less than 15% of importers use a distributor's webstore, mail ordering, faxing and other services.
- Allied trade distributors use their own webstore (29%), distributor's web stores (29%), social media (36%), mobile apps (29%), B2B marketplace (43%), call centers (50%), physical store (21%), mail ordering (21%), and faxing (29%). Less than 15% of distributors use email marketing with buy buttons and other services as part of their omnichannel strategy.
- Manufacturers use social media (25%) and call centers (38%) as part of their omnichannel strategy. Less than 15% of manufacturers use their own webstore, distributors' web stores, faxing, and other services as part of their omnichannel strategy.

Ninety-four percent of brick and mortar florists accept online ordering. One hundred percent of online florists and wire services accept online orders. Sixty-eight percent of supermarkets accept online orders. Seventy-three percent of domestic growers accept online orders, while 45% of international growers do. Eighty-six percent of importers accept online orders and 78% of distributors accept online orders, while only 33% of manufacturers accept online orders.

When assessing the challenges of implementing e-commerce in the floral industry, 36% indicated low customer awareness and 23% indicated that other factors than presented in the survey were the main challenges. Firms also felt that slow internet penetration (19%) and lack of trust (15%) had limiting effects. Seven percent of firms felt that security concerns were a challenge to adoption.

About 63% of firms do not use their data from e-commerce to support or help guide key business decisions. Brick and mortar and online florists and manufacturers are split 50/50 on if they use their online data, while wholesale florists did not indicate any use of their online data. This would be important for them to consider, especially when many are struggling to identify their customers needs in a timely manner. Domestic growers (58%), international growers (88%), importers (63%), and distributors (100%) are also not analyzing their online data fully.

In spite of underutilizing online data, most firms indicated that they somewhat agreed that B2B e-commerce "is critical to developing a competitive advantage." Firms felt neutral regarding whether or not their company would be "considered a leader in digital selling within our market/industry" and "accelerating B2B e-commerce is a strategic priority for our company." Firms disagree that they were "selling digitally faster than our competitors" and disagree that "B2B is a threat to our sales organization." Overall, firms seem optimistic that B2B e-commerce could assist in their business model, but do not feel confident where they currently stand versus their

competitors in terms of implementation. It is a positive note to see that most firms in the industry do not consider online selling as competition with their own sales force.

Overall, most firms that responded to the survey are not providing or utilizing very many B2B e-commerce services or tools as sellers, yet as buyers, they are interested in vendors providing these kinds of services for them. Overall, firms do not see B2B e-commerce as a deterrent to the growth of their business, but an opportunity for their business to expand, earn additional revenue, and reach a new audience. This has in turn expanded the omnichannel approach in the floral supply chain. Previously, being omnichannel was viewed cautiously, but based on the attitudes and opinions expressed in the survey, firms are not as opposed to being omnichannel as previously thought. There seem to be real barriers that prevent firms from implementing more B2B e-commerce. Firms in the future may have to invest extensively in technologies to “catch up” with their customer base and stay relevant in the industry. In order to build a better relationship between strategic partners, businesses will need to demonstrate relevance within their respective supply chains.

In the face of COVID, it is even more apparent that firms should have an online presence in that it provides a safe way to interact with online-savvy customers. Economists predict that customer demand will rebound slowly, and customer habits set today are likely to outlast the immediate crisis. For example, shoppers will likely continue to rely on e-commerce long after the crisis subsided. Similarly, the quick application of B2B e-commerce tools and technologies by companies in the manufacturing, distribution and warehousing sectors caused them to experience growth, not contraction. While physical stores are reopening, retailers should plan for a change from pre-crisis levels of foot traffic. While floral leaders accept the need for a move to increased use of digital technologies, it’s not as simple as just “moving to digital.” The sharp increase in the use of digital and self-service technologies in the face of COVID-19, means that firms need to be thoughtful not only about how to enable effective digital interactions but also about how to most effectively deploy their sales personnel. In an environment where behaviors and attitudes have swiftly altered, and will likely continue to do so, firms need a clear perspective of what their customers need and what steps their company can take to address those needs.