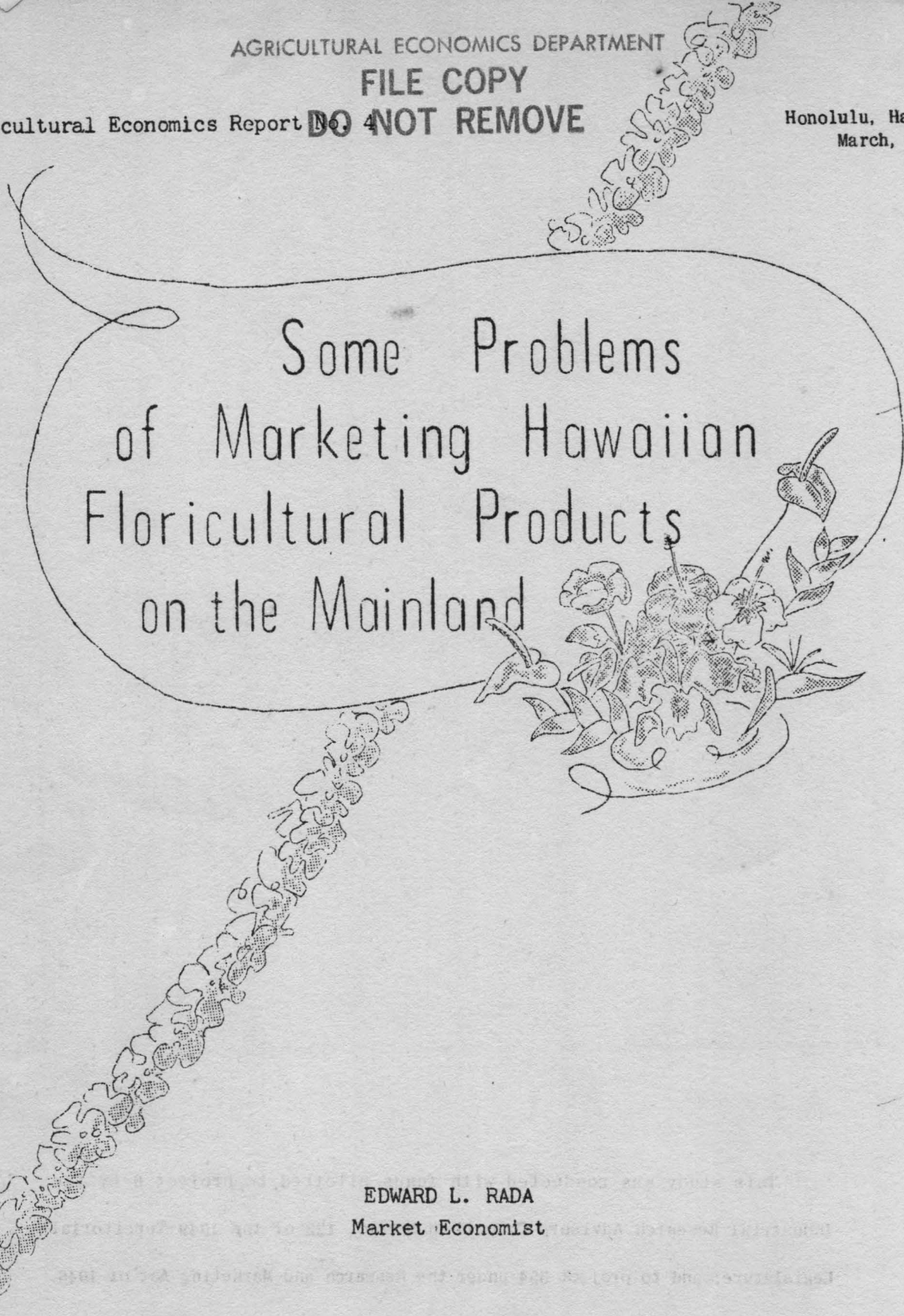


AGRICULTURAL ECONOMICS DEPARTMENT

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Agricultural Economics Report No. 4 **DO NOT REMOVE**

Honolulu, Hawaii  
March, 1951



Some Problems  
of Marketing Hawaiian  
Floricultural Products  
on the Mainland

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Market Economist

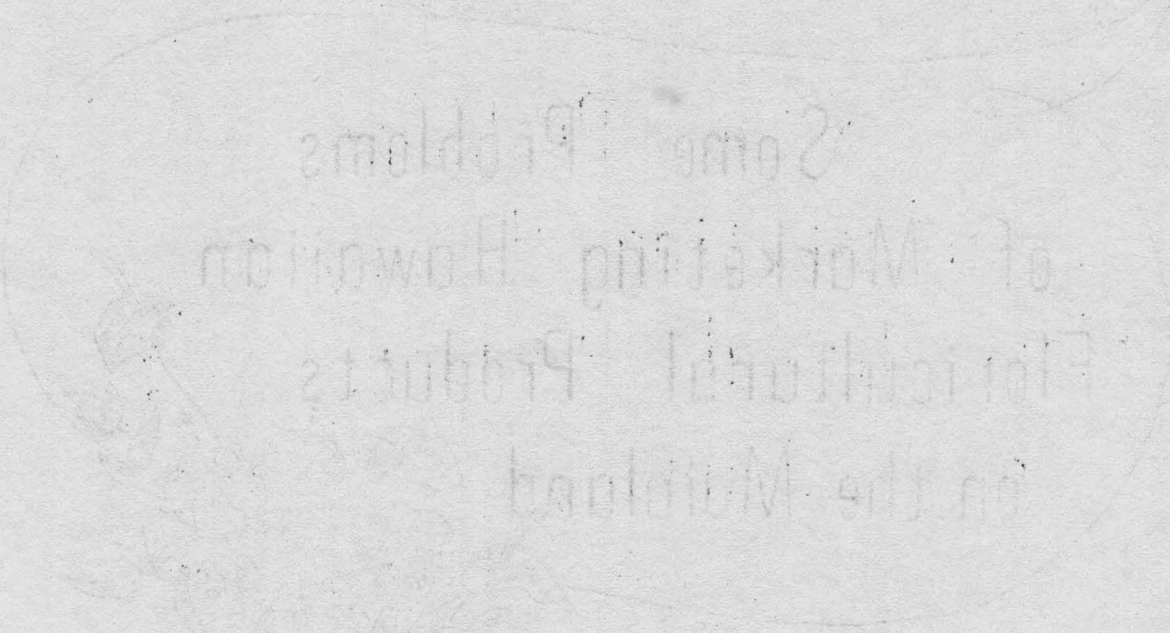
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Hawaii Agricultural Experiment Station



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INDUSTRIAL RESEARCH ADVISORY COUNCIL



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VOLUME AND VALUE OF HAWAIIAN FLORICULTURAL EXPORTS

## TABLE OF CONTENTS

	Page
<i>Volume and Value of Floricultural Exports</i> .....	1
<i>Channels of Distribution</i> .....	1
<i>Characteristics of the Market</i> .....	3
<i>Competition</i> .....	7
<i>Problems of the Hawaiian Industry</i> .....	8
<i>Types of Floral Organizations</i> .....	10

### PREFACE

The author studied the marketing of Hawaiian floricultural products on the Mainland from May through October 1950. It is believed that the Island flower growers and shippers should be acquainted as soon as possible with the major findings of this study before the final, more detailed, report is made available later in 1951. This preliminary report emphasizes those problems that require the attention of the industry as a whole.

### CHANNELS OF DISTRIBUTION

Method of distribution has a vital bearing on volume of sales and profit. The goal of this study is to determine the most important method of distribution for Hawaiian floricultural products. It is believed that the most important method of distribution is the direct method, which involves the sale of products to the consumer through the grower or shipper.

## VOLUME AND VALUE OF FLORICULTURAL EXPORTS

Members of the infant Hawaiian floricultural industry shipped to the Mainland via air freight in 1949 a total of 141,462 pounds of flowers (principally orchids and leis) and 209,472 pounds of foliage (including birds-of-paradise, anthuriums, heliconias, and other heavy cut flowers). This volume, presented as monthly figures in table 1, represents a Hawaiian wholesale value of approximately \$710,000. Commercial shipments by ocean vessels and mail added another \$118,000, and gift shipments added approximately \$290,000. The total 1949 value of flower and foliage exports was about \$1,118,000. Vanda Miss Agnes Joaquim orchid sales accounted for approximately 60 percent of this value.

Flower shipments to the Mainland in the first 10 months of 1950 show a 70 percent increase over a similar period of 1949. The rate of growth, based on a 12-month moving average which eliminates seasonal fluctuations, began a downward trend in mid-1950 as a result of smaller flower shipments in August and September 1950 than in the same months of 1949. Because of this decline in the rate of growth flower shipments for the entire year 1950 are expected to show a gain of less than the 70 percent shown in the first 10 months of 1949. Furthermore, lower Vanda prices in 1950 will partly counterbalance the 1950 gain in volume shipments.

Foliage shipments show only a 6 percent increase over the same 10-month period in 1949 and this trend, too, started downward in mid-1950.

It is estimated that the 1950 returns to the Islands for flowers and foliage will be about \$200,000 more than the 1949 total.

### CHANNELS OF DISTRIBUTION

Method of distribution has a vital bearing on volume of sales and profits. The most important method of commercial distribution of Hawaiian floricultural products is from

producers to shippers (who may be one and the same) on consignment to mainland wholesalers for sale to the retailers. The next most important channel is from Hawaiian shippers to west coast wholesalers, who either job the product for cash to the shippers supplying eastern wholesalers and retailers, or ship the products directly to eastern wholesalers and retailers. The third and fourth channels, mostly for gift shipments, are from the Hawaiian retail florists to mainland consumers, and from Hawaiian shippers directly to mainland consumers.

Vanda Joaquims, which have brought more revenue to the Islands than the total of all other floricultural products, are distributed through all of the above channels. The most important channel, however, is by direct sales from Hawaiian shippers or through mainland wholesalers to nonfloricultural firms which give the Vanda to the ultimate consumer at store openings with the purchase of another product, or at other special events. The quantity of Vandas sold through retail florists has steadily declined as 'giveaways' have increased.

The greatest volume of Hawaiian floricultural products, exclusive of Vanda Joaquims, is sold through mainland wholesalers on a consignment basis. This method of sale is necessary in the introductory period to obtain wide distribution and to acquaint the largest number of retailers with the products. To move the largest volumes in continuous supply and at minimum shipping costs, continued distribution through wholesale channels is essential for Hawaiian floricultural products having a relatively stable demand and long life. Some Hawaiian floral products, such as gingers and heliconias, have an unstable demand and high marketing costs at present, and are too perishable to be maintained in stock for any length of time by a wholesaler. They can be sold most profitably by Hawaiian shippers on

Table 1.--Gross Weight of Flowers and Foliage Shipped from Hawaii to the Mainland by Air Freight, September 1948- October 1950<sup>1</sup>

Month and year	Gross weight of flowers <sup>2</sup>	Gross weight of foliage <sup>3</sup>	Total gross weight
	Pounds		Pounds
<b>1948</b>			
September.....	10,885	20,290	31,175
October.....	9,033	10,810	19,843
November.....	7,349	9,006	16,355
December.....	5,230	19,673	24,901
4-month total.....	32,497	59,779	92,274
<b>1949</b>			
January.....	4,326	10,075	14,401
February.....	4,496	10,752	15,248
March.....	5,113	18,198	23,311
April.....	6,429	10,960	17,389
May.....	10,321	16,910	27,231
June.....	14,315	32,800	47,115
July.....	8,211	18,817	27,028
August.....	17,868	24,963	42,831
September.....	17,607	17,653	35,260
October.....	16,349	11,423	27,772
November.....	20,217	15,009	35,226
December.....	16,210	21,912	38,122
12-month total.....	141,462	209,472	350,934
<b>1950</b>			
January.....	8,556	12,604	21,160
February.....	13,273	13,799	27,072
March.....	16,654	16,468	33,122
April.....	21,166	24,074	45,240
May.....	32,206	25,455	57,661
June.....	22,046	20,695	42,741
July.....	11,345	17,101	28,446
August.....	13,767	16,495	30,262
September.....	17,383	16,142	33,525
October.....	22,042	21,219	43,261
10-month total.....	178,438	184,052	362,490

<sup>1</sup>Including minor quantities shipped to other destinations.

<sup>2</sup>Including orchids and leis.

<sup>3</sup>Including birds-of-paradise, gingers, anthuriums, and heliconias.

Source: Shipping records of Pan American World Airways, United Air Lines, and Northwest Airlines, Honolulu, T. H.

special orders from retailers, wholesalers, or consumers. Profitable wholesale distribution of these items will probably be limited to a few large cities.

One of the problems confronting mainland as well as Hawaiian wholesalers is that many large mainland retailers circumvent their local wholesalers and buy flowers, including Hawaiian flowers, directly from distant shippers at supply centers. These same retailers are the ones most likely to have the income type of clientele that appreciate and can afford to buy Hawaiian products. Nonsalability losses on Hawaiian floricultural products carried by wholesalers are greater than if the large retailers purchased on their local wholesale market.

Direct sales to retailers, especially on a regular order basis, have many advantages for Hawaiian floral shippers. One important advantage is that profitable returns are generally assured. Direct order sales, however, usually mean a small volume of sales, high packaging and shipping costs, and a dissatisfied and perhaps a lost customer if a shipment arrives in bad condition. Furthermore, most wholesalers lose interest in items being sold directly to retailers.

Direct sales to consumers are the smallest portion of the total Hawaiian floricultural business, but expansion of this method of sales can and should be encouraged. It has been found profitable for many specialty items produced at great distances from consumption centers.

#### CHARACTERISTICS OF THE MARKET

##### *Potential Market*

The amount or proportion of the total mainland retail floricultural business that can be acquired by the Hawaiian floricultural industry is a matter of great interest in the Territory.

In order to establish a potential for the Hawaiian industry, one must understand the magnitude of the mainland floricultural business, the nature of the demand, and the relative position Hawaiian flowers and foliage occupy. In 1948, mainland and territorial retail sales of flowers and potted plants amounted to approximately

\$500 million. Seventy-five percent of the business, or \$375 million was done by retail florists. Of this amount, about \$280 million was from the sale of cut flowers, wreaths, displays, corsages, and other arrangements. The balance was made up of sales of seeds, bulbs, potted plants, fertilizers, and miscellaneous nonflower items. The 25 percent not sold by retail florists, or \$125 million, was sold to consumers through grocery, department, and other retail stores. No information is available on the value of sales made by mainland growers directly to consumers.

There are many economic factors in the process of change which can affect the floricultural business, and which impose serious handicaps for predicting the potential of the Hawaiian industry. Some of these changes are the result of the rise in price levels and the influence of a war economy. Other factors more directly affecting the floral business are changes in sales volumes generated by the introduction of new products, shifts in the channels of distribution, and the competition of identical or substitute products from other areas.

About 5 percent of the total mainland floral retail business, or approximately \$25 million annually, based on 1948 retail prices and volume of sales, appears to be a reasonable goal for the Hawaiian floricultural industry. For lack of better statistics potential Hawaiian floricultural sales are being estimated as percentages of the various types of retailers' sales opportunities. It is estimated, for example, that, of the average retail florist's flower sales, 60 percent is for funerals; 15 percent for weddings; 10 percent, bowl arrangements; 10 percent, corsages; and 5 percent, decorations. The high price, quality, and unusual form of Hawaiian flowers make them better adapted to some uses than to others. The smallest use percentagewise is in funeral work, and the largest is probably in wedding work. Table 2 gives the estimated value of potential mainland sales, and types and uses of Hawaiian floral products.

This \$25 million goal might appear to be an optimistic one. In terms of f.o.b. Hawaiian value, however, the total potential retail

Table 2.--Estimated 1948 Total Mainland Floral Sales and Potential Mainland Sales of Hawaiian Floricultural Products, by Types of Sales and Retail Outlets

Types of retail sales and floral uses	Estimated mainland sales		Potential mainland sales of Hawaiian products		
	Value	Percentage of total <sup>1</sup>	Value	Percentage of total <sup>2</sup>	Major products
	<i>Million dollars</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>	
Retail florists' cut flower sales:					
Funerals .....	168	60	5	3	Foliage, vandas, anthuriums
Weddings .....	42	15	8	20	Anthuriums, gingers, foliage, orchids
Arrangements .....	28	10	3	10	Foliage, anthuriums, birds-of-paradise, gingers, orchids
Corsages .....	28	10	3	10	Orchids, crotons
Decorations .....	14	5	2	20	Foliage, gingers, heliconias
Total retail florists' cut flower sales .....	280	100	21	7.5	
Retail florists' sales of other floral material .....	95		1	1.0	Plants, tree fern products
Nonflorists' retail floral sales .....	125		3	2.5	Plants, vandas, dry materials, tree fern products
Total retail floral sales .....	500		25	5.0	

<sup>1</sup>Percentage of total retail florists' cut flower sales.

<sup>2</sup>Percentage of total mainland retail floral sales.

Source of data, mainland floral sales: 1948 Census of Business, Retail, Wholesale, and Service Trades, United States Summary, Census of Business: 1948 and 1939' (preliminary), U. S. Dept. of Commerce, Bureau of the Census, and Floricultural and Ornamental Horticultural Economics, Society of American Florists and Ornamental Horticulturists, Chicago, 1950.



value must be reduced by about 80 percent, to approximately \$5 million. The wholesale price in Honolulu is, on the average, about 20 percent of the average mainland retail price. The \$5 million potential might be reduced considerably when such factors as possible lower prices because of increased production or other economic disturbances are taken into consideration. For example, the slump in Vanda shipments in August and September 1950 can be partly attributed to the Korean war. Business firms have decreased the use of Vandas for 'giveaways' as a promotional scheme in view of the upturn in general business conditions. Full employment and prolonged wartime economic controls in the United States, however, should shift purchasing power from the 'hard' goods such as automobiles and electrical appliances to 'soft' goods such as food, entertainment, clothing, or flowers, to the benefit of the entire mainland and Hawaiian floral industry. The 'giveaway' business, however, is likely to decline materially.

#### *Trade Practices and Policies*

The various economic factors operating in the markets and the nature of the market for Hawaiian floricultural products establish limits to the potential volume of Hawaii's mainland floral sales. Several aspects of the demand situation have already been touched upon. Various trade practices and policies also influence the sales of Hawaiian products.

Only a few mainland wholesalers stock and 'push' Hawaiian floricultural products eagerly. Most wholesalers handle Hawaiian floral products only if a market has been created or if competitive wholesalers are stocking them. Wholesalers are either leaders with new products trying to acquire new customers, or followers attempting to retain their marginal clients. Handlers adding products for which the market has been established often resort to price cutting to obtain business, a practice that does not always benefit the industry as a whole. Many wholesalers and producers of floricultural products visualize only the demand for their own products or services.

They assume that because they can increase gross returns by reducing price, their competitors can do the same. Usually the result is that marginal buyers shift from one seller to another, but the industry as a whole does not realize an increase in gross returns in proportion to the price reductions.

Although the Vanda Joaquim may be the biggest income producer, drastic price cutting for 'giveaways' on the Mainland is shortening the life of the infant Vanda industry and is having a general adverse effect on florists' sales of Hawaiian products. Price discrimination to different classes of buyers, as practiced with Vanda Joaquims, is not practical unless a quality differentiation can be made for each market outlet. The result has been a loss of considerable revenue as the demand from the higher priced retail florist trade has diminished.

In most cities the wholesale district is decentralized, and trading is done largely by telephone. The wholesaler must 'push' the Hawaiian floral items because retailers are generally unfamiliar with the products and their uses. Fewer flowers, Hawaiian or otherwise, are sold by telephone than by direct contact with florists who come to the wholesale markets to buy. Experience has shown that in the centralized San Francisco and Los Angeles wholesale markets, where practically all local retail florists come to buy, more flowers are sold than in the decentralized wholesale markets in other cities. In view of the organization and decentralization of most mainland wholesale floral markets, it would be an advantage to the Territory to have one wholesaler handling only Hawaiian floricultural products in each major mainland market.

Wholesalers and retailers are influenced by rational buying motives, with purchasing and selling policies geared to the maximization of individual profits. They are interested in price, particularly in relation to substitute products, in the longevity of the product, and in satisfactorily serving their customers. Before purchasing or handling, the wholesaler determines which retailers

are likely to buy the product whereas the retailer is interested in what alternate uses can be made of the product.

The sales efforts or responses of individuals in both groups are tempered by personal likes or dislikes with respect to the products and to the sellers of the products.

The average florist minimizes his risks by buying as little as cheaply as possible, and by buying products with alternate uses. As was pointed out, most of the average retail florist's business is from funerals. He buys flowers with the thought that if they are not sold or used for other purposes, they must be adaptable for funeral sprays. Generally, funeral pieces yield the lowest return per unit of labor and flowers involved. Although funerals provide the greatest market for mainland florists, the opportunities for Hawaiian flowers and foliage in this field are limited, mostly because of the relatively high prices of these items. Ti leaves, crotons, other smaller foliage, anthuriums, Vandas, and birds-of-paradise can be used in funeral work when the size of the order warrants an unusual piece, or when the purchaser specifically requests Hawaiian products. Opportunities for Hawaiian products are relatively greater for weddings and for bowl arrangements. Orchids are associated with the corsage business, which is built upon current fashions and the consumer's concepts of prestige. Most florists are reluctant to sell flowers, especially orchids, for corsage purposes if the flower has been cheapened. The Vanda is a case in point.

Experience has shown retail florists that they do not sell many more flowers by lowering prices. Consequently, retail florists maintain rather constant selling prices throughout the year, except during holiday seasons when demand is great. Retail florists also prefer to buy at stable prices, but when they are able to buy cheaper, they seldom reduce the prices correspondingly to their customers. It should not be inferred, however, that the price has no bearing on volume of sales of a specific product. Retail florists are price conscious when they purchase flowers. The wider the use of the product and the more

rival products it can replace, the greater effect has a price change on the volume purchased by retailers. Ti leaves are an example of a product with many uses and many substitutes and for which a price change would show a marked response in volume of sales. Torch ginger represents a product with the opposite characteristics and effects. Consumer income changes influence sales for this type of product more than do price changes.

Not all Hawaiian products are marketed at a profit on the Mainland (gingers and heliconias, for instance), especially in the summer months. Price reductions on profitable items are not justified as long as losses are incurred on nonprofitable products. Hence returns to growers for both profitable and nonprofitable products are not the true values reflected by consumer demand. As a result, unwarranted production of certain flowers may result in a misuse of resources. In view of the slack demand in summer and the greater demand in winter, consideration should be given to summer and winter price differentials for products such as foliage and anthuriums.

The mainland outlet for most Hawaiian flowers is limited to retail florists, whose artistry is necessary to create the designs and arrangements which give the products more value. Retail florists, most of whom are reluctant to change their ways, must be sold on the dollars-and-cents advantage of handling Hawaiian products. Sales emphasis must be on the use and economy of Hawaiian products and the long-run benefits to retailers from their use. One Hawaiian firm is working actively with mainland retailers in design schools and at florists' conventions, but this sales program is expensive. Inasmuch as benefits accrue to other Hawaiian shippers also, such promotional work should be undertaken by the industry as a whole, perhaps with financial assistance from the Territory.

#### *Consumer Choice: Guided by Retailer*

The flower business tends to be seasonal in nature. Peak sales are recorded in the special holiday months of May and December. The slack season is in the summer months,

when vacations and home flowers cause florists to depend almost solely on funerals and weddings.

Most flower purchasers are not regular buyers. Their flower buying is usually based on emotional causes--weddings, deaths, fashions, or the desire for innovation--and the purchaser's part in the transaction seldom goes beyond setting the maximum expenditure for the floral piece, the choice of flowers usually being left to the discretion of the florist. This practice does not help to increase the sale of Hawaiian flowers, particularly when neither the customer nor the florist is familiar with them. The few regular flower buyers usually want 'something different' but this demand provides only an occasional outlet for many of the heavy Hawaiian cut flowers such as gingers, heliconias, and anthuriums. The consumer cannot be expected to ask for Hawaiian flowers, however, if he does not know about them. Consumers would respond to emotional appeals through effective, direct advertising stressing the romance and glamor of the Islands, novelty, or emulation.

#### COMPETITION

The Hawaiian floricultural industry, besides doing a better selling job on the Mainland, must also take cognizance of present and future mainland and foreign competition. Reference is made here to competition from identical, rather than substitute, products which were mentioned above. Identical products now being produced and marketed on the Mainland in competition with Hawaiian commercial exports are anthuriums, birds-of-paradise, Vanda Joaquims and other hybrids, dendrobiums, crotons, water lilies, and leis. The West Indies exports anthuriums, gingers, heliconias, and crotons. Mexico exports dracaenas (ti leaves) and heliconias to the United States. The entire Caribbean region is a potentially significant source of most of these products. In the United States, anthuriums are grown in hot houses in California and around the New York market and in lath houses in Florida. Vanda Joaquims are expanding in production in southern Florida, as are strap-leaf Vanda hybrids. There is a flourishing market at

present in Florida for Vanda hybrid cuttings and plants. Production of field-grown birds-of-paradise is being expanded in southern California; a substantial quantity is grown in greenhouses around the New York market, and new outdoor plantings are being started in Florida. Croton production and hybridization is increasing rapidly in Florida and to some extent in Texas. The various dendrobiums are in limited production on the west coast, but the dendrobium phalaenopsis is grown quite extensively in the East. Leis are more popular on the west coast than in any other section of the country, but are most frequently made of mainland carnations.

It appears that Hawaii has an advantage over the Mainland in the cost of production of identical products which is offset in mainland markets by the high costs of marketing Hawaiian floricultural items. Furthermore, retailers are willing to pay a premium for locally grown products, out of deference to local growers and because the product is fresh. The potential competition in the New York area is not as formidable as that in Florida and California. New York's production of anthuriums and birds-of-paradise has been developed on a small scale, and it is unlikely that large-scale production would be profitable in view of the less costly competition. Florida can be expected to provide the severest competition in eastern and midwestern markets for Vandas, anthuriums, and birds-of-paradise, because of its freight cost advantage. Florida producers may have difficulties, however, in providing an orderly and continuous supply because of the hurricane season during July, August, September, and October and the occasional frosts in January and February. California has a distinct competitive advantage in the production and marketing of birds-of-paradise although frost damage is a problem in the winter months. Although California anthurium producers receive a premium price for the local product, they may find it difficult to maintain their price advantage, particularly if the marketing or production costs of Hawaiian anthuriums can be reduced.

Competition from foreign countries will likely increase, but will not be of serious importance unless quality of the products improves. Competitive foreign products sell for considerably less than Hawaiian items. The wholesale price per dozen of Mexican heliconias in Houston, Texas, is \$3.00 to \$3.50 as compared with \$7.00 to \$9.00 for Hawaiian heliconias. The import duty is a minor advantage to United States producers, except in the case of orchids. Foreign orchids are subject to an *ad valorem* duty of 25 percent, cut flowers 12½ percent; foliage in a natural state is duty free.

The most destructive competition encountered in the mainland markets by the Hawaiian floricultural industry is that within itself. Inconsistent marketing and pricing policies, improper packaging and grading standards, and shipment of poor quality merchandise can have a more harmful effect in retarding sales than competition from mainland firms.

#### PROBLEMS OF THE HAWAIIAN INDUSTRY

The major factors retarding sales, discussed in the preceding section could be corrected as follows:

1. Retailers should be familiarized with the products and their use by such devices as design schools, demonstrations, and educational literature.
2. Consumers should be informed of the Hawaiian products through direct advertising in home magazines, by demonstrations at P. T. A. and garden club meetings, and by other means.
3. Hawaiian shippers should stabilize marketing policies and prices to present a united front in the flower trade and to improve their position in the mainland markets in anticipation of increasing external competition.

#### *Subsidiary Problems*

In addition, there are numerous subsidiary problems which have not been discussed but have a bearing on the acceptance and sales of Hawaiian floral products in the mainland market. Hawaii is marketing floral products on the Mainland that have not been previously sold there in any quantity. Greater

external competition is anticipated in the future. Members of the Hawaiian floricultural industry should strengthen their competitive position by taking cognizance of the following subsidiary problems:

1. *Develop new products and vary the form or color of those now going to market.* New products are likely to attract new customers. Furthermore, they tend to reduce the effects of competition on any product currently being exported. Rather than buying from others to take advantage of a minor price differential, the trade will continue to patronize the firms providing them with new products in addition to good-quality established items. New products are always in demand by the leading retail florists. Those products with a high value and light weight are preferable export items. Nonperishable products such as dry floral materials, beads, dry seeds, and unusual items are in limited demand.

Concomitantly, established products should be improved through hybridization or better production methods. New colors can rejuvenate an old product. For example, there is considerable interest in white birds-of-paradise; and pure white anthuriums bring a premium price. Some mainland products are dehydrated or sprayed with paint to add variety. Perhaps through hybridization the size and weight of the stems of the gingers, heliconias, and birds-of-paradise could be reduced, thereby lowering freight costs and, at the same time, improving the shipping quality and longevity of the products.

2. *Increase the alternate uses of the products.* Products with the most stable demand are those that have several uses--corsages, weddings, or funerals. For example, the strap-leaf Vanda hybrids could be marketed in sprays, permitting the retailer to sell the orchids either in bowl arrangements or separately, in the form of a corsage. The stems of ti leaves or dracaena could be longer, enabling the retailer to use them for different purposes. The stems at present are too short; the designer using Hawaiian ti leaves to provide 'accent' in a bowl arrangement must wire wooden stems onto them. Imported Mexican dracaenas have much longer stems.

3. *Improve and standardize the quality of the flowers and foliage.* One of the most consistent criticisms of Hawaiian floricultural products is their unreliable quality. This is particularly true of Vanda Joaquims. Vanda losses from either fading or rotting, which appears to spread rapidly once started, are high. One fourth seems to be a conservative estimate of spoilage and other nonrevenue losses in Vanda shipments. Perhaps the flowers are not graded closely enough before packing. The spoilage problem is especially serious in the winter and spring months when demand is at its peak. Experiments are under way at the University of Hawaii to isolate the spoilage causes and to develop economical treatments to eliminate spoilage. Some shippers have found that shipping Vandas in packages containing fewer blossoms reduces the amount of loss, but it increases packaging and freight costs.

Many complaints have been made that Hawaiian anthuriums are cut when too mature (seeds were forming on the spadix, which appeared discolored). On the other hand, birds-of-paradise are cut too immature for shipping; the flowers will not release themselves from the spathe unless forced, and flower damage results. Just washing or cleaning a product can make a vast difference in its salability.

Another aspect of quality is standardization or grading of the product. This is essential to orderly marketing, proper pricing, and creating good will in the trade. For instance, a New York wholesaler ordered Hawaiian croton leaves. The crotons in his previous shipment were relatively large, whereas the leaves in the new shipment were small, but the price was the same. He was quite indignant at the nonuniformity and may turn to other sources for his supply. Too many grades or standards for a product, on the other hand, may lead to unnecessary confusion. For some products, one grade or standard may be all that is necessary. The northwestern shippers of greens started with several grades for fern, salal, and huckleberry, but have standardized on one grade for each product; uniformity in size of packages has resulted. Products like

anthuriums, however, can be marketed in several grades or standards. By pricing according to grade, shippers will soon learn by experience which grades are preferred by the retailers and the public. Hawaiian floricultural products are mostly specialty and luxury products, and quality competition can be more important than price competition with products from other areas. The Hawaiian floricultural industry can and should improve its position by imposing stricter standards for its products. The weight grading system sponsored by the New York Flower Growers' Association is worth investigating.

4. *Instruct the trade in the treatment and care of the products.* Most of the mainland trade members have no idea about the care of Hawaiian flowers. Consequently, they treat them the same as they do the bulk of their other products. The most frequent questions asked regarding care of the flowers were whether or not to keep them in coolers; if so, at what temperatures; and whether or not to keep them in water. Losses from improper handling of Hawaiian floricultural products on the part of the mainland floral trade can be considerably reduced with the assistance of the Hawaiian industry. Undoubtedly more research is necessary to determine proper temperatures and methods of storage, but instructions on the best known method of handling could be inserted in each package shipped.

The arrival quality of most Hawaiian floricultural products can be improved by better production methods and packaging and more careful handling in transit. Much damage in transit results from improper packing. Unless the flowers or foliage are securely fastened within the package, movement in transit invariably causes some damage. Flowers and foliage should be wrapped in cellophane, or the packing boxes treated to prevent dehydrating of the product. Spoilage in transit due to delays at transfer points accounts for considerable losses to shippers. Transit losses from heat in the summer and freezing in the winter create special problems that can be mitigated by industry-wide efforts in cooperation with transportation firms.

5. *Label or properly identify the products.* Sales could be increased if the products were properly identified. This is part of the task of educating the retail florist and consumer. It is difficult for the consumer or the trade to order properly by description. Either the botanical or common name-- whichever is the more appropriate-- should be attached to the product, as long as it conveys the same image to both buyer and seller. Brand names are not important unless there are a number of competitors in the market with an identical product. Brand names provide product differentiation and tend to retain the trade of satisfied retailers and to acquire new customers by implying a superior product, even though prices of competitors' products may be lower. A label stressing that the product is Hawaiian might attract customers for whom the value of the product has been enhanced because of its source. However, brand names on poor-quality products can do more harm than good.

6. *Take an interest in legislation or government decisions affecting the industry.* Governmental action affecting the Hawaiian flower business should be made an interest of the industry. An example of the type of legislation that should be supported by Hawaiian floral shippers is a bill introduced by a Florida representative before the House Committee on Agriculture in the last session of Congress (H.R. 7625, 81st Congress 2nd Session) which provides for the licensing of all floricultural dealers operating in interstate commerce. The bill does not guarantee the credit position of the dealer but does specify what is unfair conduct, and provides penalties for unfair dealings. Many Hawaiian floral shippers have been forced out of business partly because of faulty reports of mainland dealers, with respect to condition on arrival or units sold, or improper monetary returns. Hawaii's distance from mainland markets places local producers and shippers at the mercy of mainland handlers with little opportunity for redress, especially as most sales are on consignment.

7. *Initiate uniformity in packages.* The variety of sizes, condition, and shapes of

packages used by Hawaiian shippers hinders the reduction of marketing costs. The weight ratio of package to flowers is too high, and many small packages mean high cost of handling by the shipper and shipping agencies and increase the probabilities of damage. A 5-month sampling of air freight shipments revealed that the average Vanda package weighed only 4.4 pounds and the average foliage package less than 12 pounds. West coast flower shippers have standardized packages to two or three sizes depending on the type of flower shipped and the carrier used. The gross weight of the most common size used by west coast shippers is about 35 pounds.

8. *Request freight rate reductions and equalizations.* Freight costs are the biggest and most rigid item of expense in moving flowers from Hawaii to the Mainland. The industry should be constantly on guard to introduce efficiencies in marketing and to request rate reductions or adjustments if volume movements can be guaranteed or carrier handling costs reduced. Adjustment or equalization of rates should be of vital interest to the industry. At present, nursery stock moves to the west coast by air freight at the highest floricultural rate, but moves eastward from the west coast at the lowest rate. Heliconias, gingers, birds-of-paradise, and anthuriums move from the Islands to the west coast at the lowest floricultural air freight rate, but move eastward from there at the highest flower rate. The rate on nursery stock moving from New York to the west coast is considerably lower than the rate from Hawaii to the west coast.

#### TYPES OF FLORAL ORGANIZATIONS

Many suggestions have been received from several influential members of the mainland floral trade for improving the marketing of Hawaiian floral products. One of the most frequent suggestions was that members of the Hawaiian floricultural industry should weld themselves into a strong organization for the purpose of stabilizing their marketing practices and policies. Most of the problems emphasized in the preceding section also could be handled on an industry-wide basis.

### *Mainland Organizations*

There are many types of local, regional, or national floricultural organizations on the Mainland set up on various levels of the industry. Some of the important ones are briefly discussed below and their functions evaluated for the information of, and as a guide to, the Hawaiian floral industry.

**Growers:** The New York State Flower Growers' Association is one of the most widely known state flower growers' organizations. It is very active in helping members with production problems and in instigating production and marketing research. It has sponsored a weight grading system and hopes the system will be adopted nationally for cut flowers. Most of the other states also have their own flower growers' associations.

There are also growers' associations of specific products, such as Roses, Inc., a national organization which has been very effective in establishing grades for roses; Florida Gladiolus Growers' Association; Fern Growers' Association in Florida and San Francisco; orchid societies, and others.

Producer cooperatives in the floricultural industry are rare and of minor importance in the business at present. Many wholesale houses began as cooperatives. In most cases they represented only a small percentage of the producers, however, and competition and other economic considerations forced their dissolution.

**Wholesalers:** A wholesalers' national association has been formed in the past few years, but its membership is limited to wholesalers who meet certain entry requirements. Its function is to interchange ideas and to iron out problems confronting the wholesale trade on a national level. There are very few wholesale associations in local mainland markets. The California flower shippers are organized, and one of their important functions is to take group action on transportation problems.

**Retailers:** Almost all retailers of a state, region, or metropolitan area have their own organizations, but they are voluntary organizations and generally deal with their own local business problems. Design demonstrations are important features of their

meetings, especially at their annual gatherings.

The Florists' Telegraph Delivery Association (F.T.D.) is a national body (with international members) of retail florists. Its primary functions are to act as an account clearing house for telegraph orders placed between cooperating florists (and to set up ethical standards of conduct between cooperating florists). The Telegraph Delivery Service (T.D.S.) is a private organization performing similar functions.

**Trade:** The oldest floricultural trade association is the Society of American Florists and Ornamental Horticulturists, chartered by Congress, with headquarters in Chicago. All persons or firms engaged in the floricultural industry are eligible for membership. Its principal function is to deal with government agencies, legislative bodies, and governmental decisions on a national level.

The commonest industry-wide association established to influence local demand only is that generally referred to as an 'allied.' It is a vertical organization of producers, retailers, and wholesalers in a given market. The primary function of an 'allied' is to advertise flowers in its own trade area. Funds are collected by the wholesaler from each party in a transaction on the basis of an agreed rate of assessment. (Many Hawaiian shippers have agreed to assessments in markets where 'allieds' are in operation.) 'Allieds' are expanding in number but most are weak for several reasons. (1) They are voluntary organizations. Large retailers feel they have no need for industry-wide promotional services, and small retailers say they cannot afford it. (2) The manager or secretary generally is an active florist or producer in the local trade who has little time to devote to 'allied' affairs. (3) Some retailers trade only occasionally with their local wholesalers and hence escape many of the deductions. (4) One group or another tends to dominate the 'allied,' and charges of favoritism are common.

A strong vertically organized trade association is the southern California Floral Association, located in Los Angeles.

Membership is voluntary, but growers, retailers, and wholesalers dealing on the market must obtain a permit to do so from the Association, and operating monies are collected from each floral sale. The Association does very little advertising, its principal function being to maintain business ethics in selling-buying relationships and credit transactions.

A trade association with wide influence on a national scale is the Colorado Carnation Growers' Association. This Association is one of the few organized floricultural groups attempting to influence price by stimulating demand and controlling supply of its product. Five Denver wholesale houses are the heart of the Colorado carnation industry, performing all of the marketing functions for the grower-members, who own stock in the wholesale firms on the basis of the number of square feet of greenhouse area each grower operates. Strict grades have been established, and the Colorado carnation is considered one of the finest quality carnations available. Colorado labels are attached to each bunch, and every fourth carnation of the upper three grades is identified by a small labeled tab to prevent misrepresentation. Two levels of prices are established--a summer price and a higher winter price. The price level is generally 4 to 8 cents apiece more than that of any competitive carnation in the market. Some

dumping occurs to maintain the price, but any dumping is prorated among all growers of a given wholesale house according to the grade discarded. Most of the carnations are sold on order before they are harvested. The wholesale houses also provide soil testing services for their members for a small fee. The Association conducts a continuous advertising campaign, expending approximately \$60,000 a year, in both consumer and trade publications. Membership in the association is voluntary. Cooperation did not become effective until after a disastrous depression experience in the 1930's.

A basic characteristic of mainland floral organizations is that membership is voluntary. Economic regulations are primarily devoted to business ethics, and other regulations are generally ineffective unless the association is strong enough to keep its membership in line.

A Hawaiian organization need not follow the pattern of any mainland floral organization. Numerous other organizations and associations involved in the marketing of other agricultural products are successfully operating on the Mainland. An analysis of the structure and operating mechanism of successful agricultural marketing organizations would be of value prior to the formation of any Hawaiian marketing organization.