



FERNS N PETALS: FIRST INDIAN VENTURE INTO ORGANISED FLOWER RETAIL

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Abstract

Ferns N Petals has been the first firm in India to venture into flower business in an organised fashion. The case here discusses how Mr. Vikas Gutgutia and his company Ferns N Petals spearheaded the change from unorganised to organised sector. Mr. Vikas Gutgutia's hard work & perseverance made him the monopolist king of the flower industry. Initially the company's target was the mass market of cut flowers & bouquets, but later on it diversified to various verticals like weddings, corporate events, E Commerce, exclusive gifts, one stop shops for floral arrangements etc. Ferns N Petals took seven years to take off, but today it is the largest player in wedding planning & monopoly in organised commercial floral space. Ferns N Petals works on franchisee model for its floral outlets along with company owned stores. A substantial chunk of sales comes from the E Commerce vertical, so Ferns N Petals has kept on improving & improvising its offering, in terms of expanding the merchandise to include potted plants, chocolates, cakes, soft toys, sweets, photographic mementos etc and giving customers the various delivery options like same day delivery, midnight delivery etc. The case here analyses the various business factors that were responsible for the success of Ferns N Petals, and how the company has done customer segmentation and targeted multiple segments with specialized workforce, which they keep on training as per the new innovations in floral industry. The road ahead consists of global expansion, managing intermediaries, deeper segmentation of customers.

Key Words: Organised Flower Retail, Diversification, Segmentation, E-Commerce, Social Media

I. INTRODUCTION

Floriculture is a discipline of Horticulture concerned with the cultivation of flowering and ornamental plants for gardens and for floristry, comprising the Floral Industry. The Floriculture mainly consists of cut flowers, pot plants, cut foliage, seeds bulbs, tubers, rooted cuttings and dried flowers or leaves. India is bestowed with several agro-climatic zones



conducive for flower cultivation. The decade after liberalization took giant steps in export arena. This period saw a shift from production as sustenance to commercial product. Government has identified floriculture as a sunrise industry and awarded it 100% export oriented status. In recent years, floriculture has taken a significant place in the Indian industrial scenario also. Approximately 232.74 thousand hectares area was under cultivation in floriculture in 2012-13. Production of flowers is estimated to be 1.729 million tonnes loose flowers and 76.73 million tonnes cut flowers in 2012-13. India has exported 22485.21 MT tonne of floriculture products to the world worth INR 455.90 crore in 2013-14. It started with a miniscule quantity of 18,821.57 MT, worth INR 97.14 crore in 1998-99. This figure went up in 2014-15, with 22,947.23 MT of floriculture products worth INR 460.75 crore¹.

The major export destinations in 2014-15 were United States, United Kingdom, Germany, Netherland and United Arab Emirates. Maharashtra, Karnataka, Andhra Pradesh, Haryana, Tamil Nadu, Rajasthan & West Bengal have emerged as major floriculture centres.

Exhibit 1²

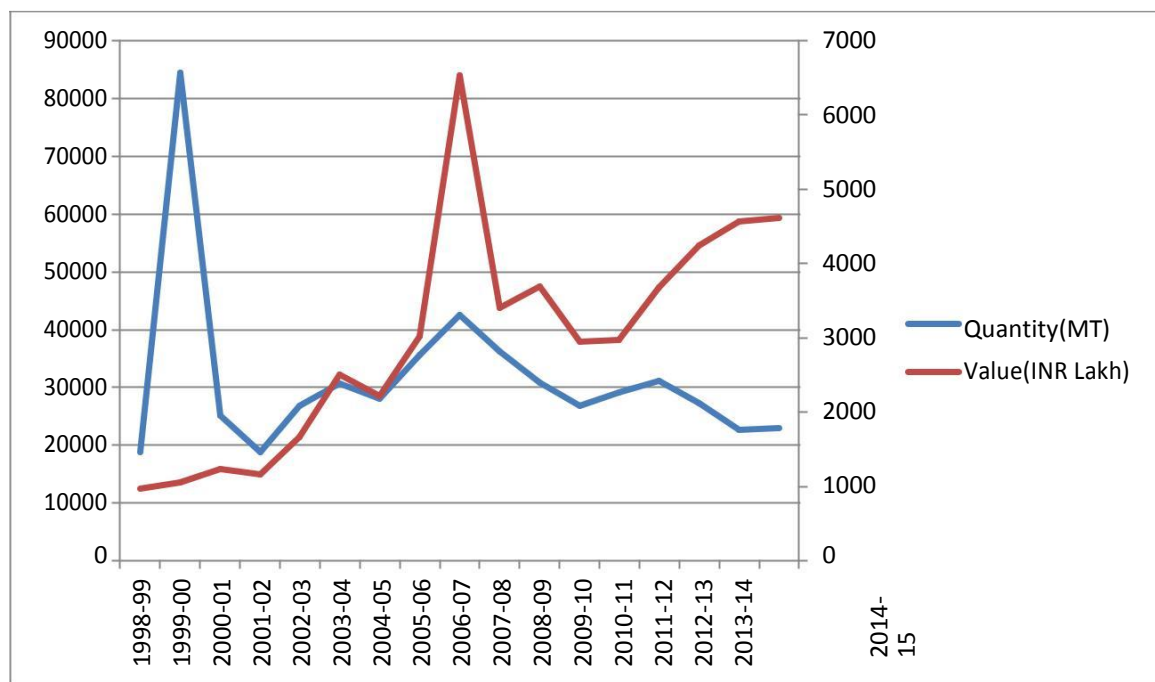


Figure 1 Flower Export from India

The demand for flowers is increasing robustly in India. While exports remain a key motivator for cultivators, the domestic demand for flowers is also increasing exponentially, especially in the metros and large cities. Modernization and growing western culture influences has driven consumers to buy flowers on a number of occasions like valentine's day, marriages,

¹ Data from APEDA (Agricultural & Processed Food Products Export Development Authority), Under Ministry of Commerce, Government of India

² The Floriculture Export Data has been taken from DGCIS Annual Reports



anniversaries, birthdays, friendships day, mother's day etc. The flower industry in India is poised for a significant growth CAGR of 23% during 2011-2012 to 2017-2018³.

Since times immemorial, flowers have been an integral part of the social fabric of our lives. Human beings have traditionally used flowers for expressing or exhibiting their innermost feelings to God and deities or presenting to the beloved ones or complimenting any one or versifying any conceivable emotion. Till date no religious ceremony is conceivable without flowers. Garlands of olive leaves were wore by the roman soldiers and lotus blossoms decorated the Egyptian royalty. The Indian deities are adorned with flowers. The Indian epics like the Ramayana and Mahabharata also refer to flowers & royal gardens. Other ancient references also mention the use of flowers for fragrance, perfumes, jewellery, home decor and medication. Changing life style of people has led to the commercialization of flower cultivation. Cut flowers are one of the most globally produced commercial mass production items. Cut flower production in the world gained importance in the early 20th century, especially after the Second World War, and gave rise to a whole new industry.

Gifts flowers, chocolates, cakes, plants etc have become an integral part of our life in the present times. We enter a nicely lit, air conditioned store, playing soothing music and there is a cheerful sales person to help you in selecting the right bouquet or gift. Better still, while sitting in your office, you checkout a website, with various categories like birthday, baby shower etc and an online chat window open for helping you decide on the gift. Just by clicking a few buttons, you send across fresh carnations & cake to your grandmother sitting 1200 km from your workplace. All this seems so natural these days, that we have forgotten the days when ensuring flower delivery in same town was difficult, leave alone the cakes & potted plants across miles.

The pioneer of organized cut flower industry in India is Mr. Vikas Gutgutia of Ferns N Petals. He originated the concept of lifestyle floral boutiques. The objective was to provide the Indian customers with high quality Indian and imported exotic flowers. Ferns N Petals has come a long way since starting its first outlet in 200 sq ft south extension pavement in Delhi in 1994. Starting at a mere INR 5000, Mr Gutgutia found an angel investor who invested INR 2.5 lakh in the business and later cashed out. Ferns N Petals took 7 years of hard work & toil to turn profitable for Vikas Gutgutia⁴. From INR 30 crore in 2009 Ferns N Petals clocked revenues of INR 145 crore in 2013 with Net profit of INR 13 crore.

II. FERNS N PETALS: THE COMPANY

Mr Vikas Gutgutia was born in a modest middle class Marwari family in Vidya sagar, a village in eastern Bihar. Mr Gutgutia completed his school education in Bihar and then

³ Indian Agriculture Market Report & Forecast(2012-2017) by IMARC group Asia

⁴Pravda Godbole: Q&A: Vikaas Gutgutia, Co-founder & MD, Ferns N Petals, Business Standard, Aug 08, 2011 http://www.business-standard.com/article/companies/q-a-vikaas-gutgutia-co-founder-md-ferns-n-petals-111080800008_1.html



moved to Kolkata for higher studies. During his graduation in Kolkata, he started helping his uncle with his flower business.

After finishing his studies, he kept looking for a perfect job in Delhi & Mumbai, for almost two years. During this period, in 1994, he had sent flowers for his then girlfriend now wife, but the vendor did a 'pathetic job'⁵. He knew he could do a better & from there germinated the idea of first organised flower venture of India – Ferns N Petals.

"I got a basic idea of how the flower business worked, but I never considered it a career option because I thought it wouldn't give me big returns"- Mr. Vikas Gutgutia, MD, Ferns N Petals

Mr. Gutgutia ran the firm with a small core team for initial years, and in 2009 he appointed Mr. Pawan Gadia as the CEO of the firm. Now Mr. Gadia runs the day to day management of the company, with unit heads, budgets & targets and Mr. Gutgutia intervenes only when any major decision making is required. The company has diversified into various verticals since 2006, keeping flowers as the core of their business⁶. The various verticals of Ferns N Petals are:

- **Ferns N Petals Retail & franchising⁷** – It creates the support mechanism to sustain and monitor the various franchise offerings, merchandising, procurement and distribution. They train their own people and send them to franchise stores across India, and benefit from the entrepreneur spirit of the franchise owners. The Ferns N Petals staff first surveys the franchisee location and then based on his/her report the franchisee is allotted. The Ferns N Petals interiors are similar pan India, for maintaining this seamless experience the interiors of Ferns N Petals franchisee are also done with the help from the company. The Ferns N Petals stores are open 7 days a week. The franchisee owners get information about any online order via mails and the delivery happens. Ferns N Petals gets approximately 22% from the franchisee on a monthly basis, based on the orders received.
- **Ferns N Petals E commerce⁸** - The Ferns N Petals E commerce wing was set up in 2002. As the world's largest democracy, India trails only the United States and China in the number of Internet users, despite an Internet penetration rate of only 10 per cent. Hundreds of millions of Indians are on the verge of gaining Internet access, particularly via mo-bile devices. It has become the most important vertical of Ferns N Petals, generating steady income and establishing excellent reputation in the market. It has various delivery options: same day delivery, normal courier delivery, next day

⁵Team YS: Vikaas Gutgutia, MD, Ferns N Petals, www.yourstory.com, Sept 24, 2008 , <http://yourstory.com/2008/09/vikaas-gutgutia-md-ferns-n-petals/>

⁶ www.fnp.com

⁷ Franchisee model details are based on conversation with 3 different Ferns N Petals franchisee owners, based in Lucknow.

⁸Will achieve 100% growth in E-Com this year – Pawan Gadia, CEO(Online & Retail), Ferns N Petals, www.techcircle.in, July 11 2011



delivery, fixed time delivery, mid night delivery. The delivery at the customers' doorstep across the country and in 99 different countries abroad is available. The Ferns N Petals web portal provides a platform for people interested in sending gifts to various destinations. It is very customer friendly in design, with gifts selection based on occasion, relationship, type of flowers, price range, city specific. Even personalised gifts with customer's photographs on cushions, photo rock, coffee mugs, key chains, mouse pads, wall clock, calendars, engraved wine glasses & beer mugs are available. The range of products is constantly upgraded. The payment can be made online via credit card, debit card or using net banking, and offline payment through cash on delivery is also available for customers who are wary of online payments.

- **Ferns N Petals Weddings & Events** – This Ferns N Petals arm expertises of client servicing to identify the minute details and suggests innovative concepts to create breathtaking events. An expert in creating mega structures for weddings, in organizing niche and personalized services for destination weddings.
- **BAQAA Ferns N Petals** – BAQAA is a Dubai based Event management firm, which provides turnkey solutions for weddings and events. Ferns N Petals has joined hands with them to enter the international wedding market, after being the largest player in wedding planning market in India. BAQAA has experience in organising musical concerts, film celebrity shows to large scale CSR events and Ferns N Petals has similar experience in Indian wedding & corporate sector.
- **Floral touch** - Floral Touch was born in 2011, which envisions providing fabulous weddings and social functions mainly targeted at Hotels. The specialized team understand the importance of critical deadlines. Being a preferred empanelled Wedding Décor Specialists with major five star hotels, Floral Touch Team strives to meet the expectations with the highest of standards. It also serves for all the requirements for any corporate event.
- **Ferns N Petals select** - It provides one stop solution for all kinds of needs of any flower shop. The initiative was to bring everything under one roof for the convenience of its business partners and customers, offering a wide range of exclusive products.
- **Ferns N Petals floral design school** - It aims at providing an expertise in the field of floral artistry. The Ferns N Petals Academy offers three courses: one for aspiring florists, which is an advanced level course for to-be professionals, the next one is for amateurs, that is a hobby course and the last one is for homemakers who are keen on learning the art of flower decoration. Through the academy the company wants to spread the culture by training students on premium designing and creativity. One of the most important reasons behind this initiative is to train the manpower according to the Ferns N Petals standards. Ferns N Petals Academy will be a platform which would promote upscale products and train florists with international designs required to create premium products.
- **GiftsbyMeeta** - The online platform which only caters to an exclusive collection of gifts targeted at corporate and higher income group individuals.
- **Flagship Stores** - A floral boutique store which is an epitome of luxury and opulence.



- **Propshop store**⁹ – It was launched on 3rd sept 2013. Includes wedding accessories including carvings, crystal strings, tassels, artificial flowers, vases, cages, chandeliers etc.

III. ISSUES IN CONVERTING UNORGANIZED TO ORGANISED

1. *Changing the consumer mindset about the cut flowers shopping experience*

With people adapting more to the liberalized way of living post 1991, lifestyle changes came in and flower gifting culture started picking up in India. It was fuelled by the rising disposable incomes and celebration of occasions like Valentine's Day, Mother's day, Father's day, Friendship day. The new age Indian was happy sending a bouquet to his parents on 30th anniversary, since he/she could not be with them due to professional obligations, and Ferns N Petals was just there to fulfil this emotional need. It understood the customer's need and captured the right trend. At a time when flowers were sold roadside, Ferns N Petals developed end to end business process: right seeds, proper cultivation, reliable vendors, lean and efficient supply chain, storage facilities, merchandising in retail outlets & timely delivery.

2. *Targeting the appropriate consumer segment*

One of the key factors that are significant in converting an unorganised sector to organised one is the correct target consumer. The first step will be segmenting the customers, and then deciding which segment is to be targeted by the marketer.

The segments according to the nature of cut flowers are:

- **Basic segment:** Cut flowers and plants bought in memory of someone or for a festive event fall under this segment. The demand in this segment is fairly stable. Florists, street vendors and garden centres are particularly active in this segment.
- **Mass segment:** Cut flowers and plants are supplied by supermarkets and street vendors at competitive prices fall under this segment. This includes standard mono-bunches and bouquets.
- **Speciality segments:** Customized orders are central in this segment. Importance is paid to type of flowers, colours and shape that are crucial in the order. Garden centres and florists operate in this segment.

The mass and speciality segments normally belong to the own use segment. Quality is not a uniform concept and is applied flexibly. For the consumer, the concept of quality usually means freshness, and other subjective aspects such as type of flower, colour, leaf size and price. Many times, suggestions or advice by retailers also play an important role in a consumer's choice.

Ferns N Petals started out with targeting the Basic segment, which was full of roadside vendors and absolutely unorganised. With liberalisation, foreign exposure and more disposable income, there was an emerging class of people who were ready to pay for the experience. This segment had started getting foreign exposure, by travelling abroad, reading foreign magazines, seeing world media. Initially this was limited to upper middle class and

⁹ IANS: Ferns N Petals unveils FNP Propshop, Business Standard, Sept 02, 2013 http://www.business-standard.com/article/news-ians/ferns-n-petals-unveils-fnp-propshop-113090200905_1.html



above, but with The New Telecommunication Policy, 1999 and Information Technology Act in 2000, two major changes happened that helped Ferns N Petals significantly.

Ferns N Petals diversified later on and targeted the speciality segment. It diversified to weddings where the clientele is five star Hotels, resorts & farmhouses. This segment gives importance to type of flowers, colours and shape, type of installation etc.

3. *Finding skilled manpower*

In spite of family business in floriculture industry, Mr. Gutgutia found it difficult during initial years, especially because of shortage of skilled manpower. The available manpower was used to the roadside vending culture, and was not creative enough to satisfy the demands of the contemporary India. But soon being the monopolist in the organized floriculture sector, he started training the handpicked workforce to cater to the upscale floral market demands.

The trend of theme weddings, floral jewellery and now floral wedding dresses has caught up with the metros. Ferns N Petals has skilled workforce to do such specialized jobs, they can customize and design set-up as per the budget and scale of event. They keep themselves updated with training programmes & design innovations. The mall culture is an integral part of metros, and decor is a differentiator, add to it the *tadka* of the social media selfie craze, and we get to see these beautiful life size installations in malls. Ferns N Petals is responsible for many such installations across metro cities in India. With Multi National Companies creating a friendly ambience for employees and various team building forums being created, the event management demand from corporate sector has also increased. Ferns N Petals being the biggest organized player with pan India presence have an edge over other players.

4. *Logistics & Delivery Network*

Ferns N Petals have a set up a delivery network to ensure that all the gifts get delivered on the day the customers expect them to reach. There is a customer support desk that supports all the queries of customers, from gift selection to post delivery issues. The firm have over 100 people working in marketing, operations, dispatch and call centres. At Mumbai and Delhi Ferns N Petals have warehouses and packing & delivery units. To ensure consistent quality, the company owned warehouses & delivery units can dispatch the products after a stringent internal quality control process. The franchisee is also educated about the firm's quality standards and company trained staff helps them in maintaining the same. But for remote locations trusting a local courier for the standard of delivery poses a challenge for Ferns N Petals.

5. *Managing Intermediaries*

The FNP franchisees are closely monitored and assisted to maintain a uniform quality of store environment, service, floral arrangements etc. When the franchisee is set up, a trained employee from the company comes and helps the outlet owner in setting up the store as per FNP norms. The company even provides a trained flower decorator to stores, if required.

As far as the online platform goes, in 2004 Ferns N Petals began advertising on Indiatimes and a little later also joined other e-commerce platforms. The company used the scalable model of marketing through e-commerce platforms and gained from variable instead of fixed costs at the outset. This decision escalated sales and they experienced demand from across



the country. In 2007 Ferns n Petals launched their own online shop, but continued advertising through e-commerce platforms.

6. *Customer Acquisition & Retention*

The customer support system is very well aligned at Ferns N Petals, they support customers in the gift selection via online chat support or phone call and information about the order being delivered is sent to the customer via sms & e mail. This doesn't stop here; the store sends you reminders about upcoming events & gift options accordingly. You may forget your ex-boss's birthday, but if you had a Ferns N Petals gift for him last year, Ferns N Petals will remind you the date & send suggestions for gifts.

They have started a loyalty program at selected stores known as 'orchid privilege', to strengthen the commitment towards building stronger ties with their customers. The customers will earn reward points for each purchase, and these points can be redeemed for later purchases online or at selected Ferns N Petals outlets.

7. *E-tailing taking over Retailing in Urban India*

Ferns N Petals E Commerce websites gets about 7000 unique visitors on daily basis, and the conversion ratio is close to 7%, which means approx 500 customers every day. The average ticket value for a customer is about INR 1250. At present the E Commerce vertical contributes almost 25% to the company's overall turnover. With presence of 55 floral boutiques, Ferns N Petals builds credibility for the brand. Other online flowers & gifting stores don't have a physical presence, which deters the 'conservative' customer, who would like to see and feel the product quality by himself before buying a gift for a near & dear one. Customers who have been to a Ferns N Petals store (franchise included) are more inclined to visit their ecommerce portal for subsequent purchases.

The social media is playing a very important role these days in the lifestyle choices. The constant display of someone liking a particular product or website, creates a kind of 'Nudge Effect' on the consumers. Also the word of mouth publicity that happens through social media has more credibility than the mass communication channels normally used by marketers. Communication costs can be reduced by, for example, posting information on participatory platforms such as Facebook or LinkedIn rather than reaching out to many individuals. FNP has been present on social media in a effective manner and managed to reach out to the consumers.

IV. THE ROAD AHEAD: CHALLENGES & OPPORTUNITIES

Ferns N Petals aims to more than double its turnover to Rs 500 crore in 5 years, besides expanding in international markets. In mid 2014 they were looking at least Rs 500 crore turnover in 5 years¹⁰. Also plans are in pipeline for overseas expansion and becoming the

¹⁰ PTI: Ferns N Petals eyes Rs 500 crore turnover in five years, Economic Times, May 11, 2014
http://articles.economictimes.indiatimes.com/2014-05-11/news/49771579_1_retail-operations-crore-turnover-e-commerce



Global Florist. The focus is on overseas operations and e-commerce. It also plans to have around 500 retail outlets in the next five years. Ferns N Petals will also create a new business vertical and open a wedding hub in Delhi. This hub aims to be a one stop solution to wedding related decorations. The company, which reported Rs 200 crore turnover last fiscal, expects to grow by up to 40 per cent in 2014-15¹¹.

Ferns N Petals will start retail operations in 7-8 countries and begin its e-commerce operations across the globe. They are already present in Nepal with floral boutique in Kathmandu. Ferns N Petals partnered with BAQAA in Middle East, in 2013, to tap the wedding market there. It will start e-commerce operations in Middle East and expand it to the Philippines and South Africa. Planning for stores in London, Hong Kong and Singapore is also in pipeline¹².

Time to market is of prime importance in cut flower industry. Flowers are extremely sensitive to the treatment that they receive once they have been cut. Strict control of humidity, temperature and air quality are essential for delivering quality product to market. The major Challenges that the floral industry faces is lack of support infrastructure, dearth of basic inputs, high duty in the European Union.

The use of an online e-commerce platform can reduce the cost of selling; investments in own online-shops can be substantial and costly. Through participation on e-commerce platforms firms can avoid upfront capital expenditure and pay per transaction, as well as leverage the intermediary's investments in technology, marketing, payments, and fulfilment, which is particularly attractive to smaller firms. Furthermore, entering the market through an established e-commerce platform helps to create traffic on the websites of firms. Ferns N Petals has to decide whether to focus only on their online portal or simultaneously advertise through other e-commerce platforms.

With their E-Commerce presence increasing day by day, some issues pertaining to web data security also need to be addressed. All the information on the portal is uploaded on United States of America based server ns65.domaincontrol.com, that server segregates the information into declassified & classified data. The same server can sell the declassified information to other Gift based portals like the e mail, birthday, and anniversary details of the Ferns N Petals consumers. Then the consumers will be getting similar gift suggestions from other portals also, and price wars can hurt the Ferns N Petals sales.

The consumer is becoming intelligent and more demanding, traditional flowers like roses & carnations will give way to more exotic flowers across the world. The Flower Council of Holland identified six consumer groups who purchase fresh flowers and potted plants. The three most significant groups are:

- The **classical consumers** like to spoil themselves, love luxury and attach a lot of attention to home decoration. This group's love of flowers is average but their love of

11 Ferns N Petals Targets 500 stores, www.franchiseindia.com, June 12 2014

12 Prince Mathews Thomas: Ferns N petals Aims to Go Global, Forbes India, Sept 19, 2013 <http://forbesindia.com/article/work-in-progress/ferns-n-petals-aims-to-go-global/36113/1>



plants is above average. When buying flowers and plants, they focus on freshness and cheerfulness. They often buy flowers and plants for themselves and as gifts. These consumers like traditional pot plants, and most importantly, they must match their interior décor.

- The **modern groups** have above average education and incomes. Members are young and predominantly females aged from 25 to 35. Consumers in this group like things to be neat, uncluttered and practical. When buying flowers and plants, they focus on freshness, affordability and vase/plant life but above all else the flowers must look natural and harmonies with the interior décor.
- The **trendy-ambience group** prefers a cosy 'dressed up' interior and use lots of accessories and colour combinations. For this group, their love of flowers and plants is above average but expenditure is average at best. Flowers and plants need to appear natural and cheerful. If the bouquet suits the interior décor and the florist has added some creative touches, the consumer is satisfied.

Presently Ferns N Petals has not segmented customers on this basis. Being the monopolist Ferns N Petals has the advantage as of now, but with the world exposure increasing exponentially every passing day, that day is not far when the consumer's will have to be segmented on these basis. Ferns N Petals will have the advantage of skilled workforce, diversified segments and first mover advantage in organised floral retail.

With the gift shopping wave hitting the tier II and tier III cities, Ferns N Petals should also plan for more flagship stores in tier II cities. Ferns N Petals has advantage over its competitors in E Commerce sector, by being present as brick & mortar store along with online presence. The company needs to tap the youth potential too, by making presence its presence felt in the various educational hubs.

DISCUSSION NOTES

A. Management Issues which have been addressed in the case

1. *Unidentified Market Potential - Changing the consumer mindset about the cut flowers shopping experience*
2. *Obsolete Product designs*
3. *Improper Market Segmentation*
4. *Human Resource Crunch - Finding skilled manpower*
5. *Logistics & Delivery Network*
6. *Customer Acquisition & Retention*
7. *Managing Intermediaries*

B. Key Points

1. *Implementation of a proper marketing plan and identifying potential market*
2. *Designing and supplying latest product designs diversified portfolio of products & customised needs.*
3. *Implementation of a focussed demographic & psychographic segmentation and targeting strategies.*
4. *Implementation of Differentiation strategies*
5. *Pioneering the flower distribution business the E-Commerce way, ie. The latest vertical in marketing*



C. Possible Discussion Questions

1. *Analyse the franchisee set up model of FNP*
2. *Analyse the different marketing strategies (in terms of segmentation, targeting, positioning & differentiation) that FNP has successfully put into practice*
3. *Analyse the marketing & distribution (e-commerce model) of FNP*
4. *What are the possible challenges which the E-Commerce Venture of FNP will face in future?*
5. *What strategies should FNP adopt for global expansion & penetration into South East Asian & Middle East Asian Markets?*

D. Potential Uses of the Case

1. *This case can be used as implementation of basic marketing fundamentals in an entrepreneurial venture as well as a case study for understanding Brick & Mortar and e commerce combination model of an Indian vertical.*