

Understanding the implications of the Global Village

Flowers, once seen as a seasonal product in European markets, have become an all year round commoditised product. It is nowadays standard to harvest a rose in Kenya today and for it to be delivered through a complex logistical network to a customer's home almost anywhere in the world within 24 hours.

The floriculture industry, populated by a diverse range of businesses contributing to the overall supply chain (from breeders, propagators and growers to shippers, whole salers, distributors, retailers and florists), today faces increasing horizontal and vertical competition in every part of its value chain due to globalisation. In particular, the industry has seen a shift of production from the developed countries and the entry of developing countries into a global trading system over the past 20 years, resulting in increasingly interdependent economies from a macro-economic perspective. This process has been accelerated by the rapid development of and access to international communications, technology, freight logistics and marketing. The recent global recession has further prompted demand for reduced prices on the floriculture market – rather than for reduced quantities.

by Herman de Boon



Photo credits: Frank Bonnet



Trends & challenges in the flower value chain (CBI Centre for the Promotion of Imports from developing countries).

Michael E. Porter

Concepts, such as those proposed by Professor Michael E. Porter from Harvard Business School, suggest that globalisation is driven by the need of companies and national governments to maintain their market share and competitiveness through adaptive and innovative business solutions. There is a lot of evidence of numerous innovative responses to the globalisation challenges today in the fields of plant breeding, greenhouse technology, energy and water saving systems, integrated pest management, post-harvest management, waste reduction, sea transport, electronic sales platforms, distribution hubs, and supply chain optimisation.

Golden triangle models

'Public – private sector – people' models are increasingly demonstrating significant benefits in the globalisation of the industry. These developments, alternatively described as "golden triangle" models,

are characterised by governments creating an environment that enables innovation and knowledge sharing, with industry recognising that profitability is linked to social, environmental and financial risks and civil society adopting a monitoring role with respect to compliance and sustainability. International organisations such as CIOPORA and Union Fleurs also positively contribute to globalisation by bringing together industry players to address supply chain issues in a coordinated and pre-competitive way and seeking to optimise the enabling and regulatory environment for the benefit of the value-chain. In this way issues that were traditionally dealt with on an individual basis are now brought into an international arena for discussion and resolution.

Sustainability

These issues are not limited to the business environment but also pertain to the social and

environmental responsibilities of the floriculture industry. Globalisation has improved the access to information and increased the demand for sustainably produced goods. To address the wider concerns of consumers, civil society and investors about where the product comes from, how it is produced, how people producing it are treated and what are the environmental and social impact of its production and do so in an efficient and responsible manner, the sector has pro-actively and increasingly engaged in coordinated and transparent schemes such as, most recently, the Floriculture Sustainability Initiative (FSI), an innovative pre-competitive multi-stakeholders platform.

Opportunities

Globalisation of the floriculture industry has created numerous challenges but has equally fostered many opportunities, including a greater efficiency in the supply chain and in the use of natural resources, income and lifestyle enhancement in developing economies, and increased choice and competitively priced products for consumers. The entrepreneurial and innovative capabilities of all industry players across the floriculture value-chain will determine how they are going to meet the challenges and remain profitable in an ever increasingly competitive and global business environment. III

About the author

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