

## Florista Entrepreneurial Retail Business –A Case Study

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### CASE ABSTRACT

This case study illustrates the birth of an idea and show how that idea can be realised into a marketable product. The study deals with development issues and each highlights the importance of developing sound strategies. The importance of appropriate finance support mechanisms for young entrepreneurs is also covered. The case studies illustrate how successful entrepreneurs may deploy a range of entrepreneurial skills and knowhow. Above all, the entrepreneur is seen to have the capacity to innovate and exercise vision.

The business idea started when one of the promoters who runs an Advertising Business was waiting for a meeting at the reception of a large multinational office. He spotted a shabbily dressed boy delivering flowers in the plush office. The boy was stopped at the reception, flowers were taken and he was shooed away. The entire experience made him realize the possibility of having flower deliveries in an organized manner.

After a research of one year in the industry, he started this business in 2004 with a small retail outlet in Lower Parel, Mumbai with focus on quality of product along with quality of service. Special care was taken to train the delivery boy who was in a neat uniform with black shoes and who wore white hand-gloves while delivering the flowers. The business volumes grew steadily, with retail and corporate customers using their products and services and getting used to the professional manner in which they operated.

### Company Profile

Name of the Organization : Florista India Pvt. Ltd

Florista – is one of the fastest growing offline and online professional flower retailer of the country with a dedicated Customer Care facility and 12 retail outlets now present in Mumbai, Bangalore, Pune and Ahmedabad. Florista runs a dedicated Customer Care Center which caters to flower gifting requirements of corporates and individuals alike over the phone. Florista has an ecommerce website where customers have the facility to select from various flower arrangements & order online.

In addition to the above, the company has successful channel partners in the entire country for delivery of flowers in India and has partners outside India for global deliveries. Florista is one of the few players in the retailing industry to have achieved success in such a short span of time. Being an established brand now, having standardized products and replicable systems, it plans on expanding through a franchising model in India, Asia and European locations. But their story to success is one where there have been many challenges.

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## CASE



Florista is an organised chain of flower designing boutiques. Their specialty lies in designing exquisite flower arrangements that are made from exotic, fresh and beautiful flowers and attractive gift accessories, sourced from all parts of the world and delivered in a professional manner.

The business idea started when one of the promoters who ran an Advertising Business was waiting for a meeting at the reception of a large multinational office. He spotted a shabbily dressed boy delivering flowers in the plush office. The boy was stopped at the reception, flowers were taken and he was shooed away. The entire sight made him realize the possibility of having flower deliveries in an organized manner.

So in 2003, from a loft space in one of the promoter's office the business took root. To judge the response to this idea, he sent out free flower bouquets worth Rs 500/- to friends and family; flowers are hand delivered by well-uniformed representatives. The trained uniformed delivery staff wearing gloves greeted the recipients with polite, soft-spoken good day wishes and handed over bouquets. The service was very well received and the response to the service was encouraging enough for him to start the 1st retail store at Phoenix Mills Mall in Mumbai. This store being their first was experimental in nature and was made simplistic but interesting. The promoters wanted the brand to have an international flavour and the brand was named Florista, which is a Spanish word meaning little Florist Girl.

The focus was on quality of product along with quality of service. Special care was taken to train the delivery boy, who was dressed in a neat uniform with black shoes and who wore white hand-gloves, while delivering the flowers.

The store as was expected, received a very good response. A store manager was trained to handle customers whose profile varied from corporate employees to rich housewives. Being located at a highly visible location in a prominent mall, the advertising costs were kept low. The location in the mall itself proved to be a good source of advertising for the brand.

Few marketing support initiatives were designed. Brochures and pamphlets were printed and distributed at the store. Delivery services and product presentation were improved. Staff and arrangement artisans were trained.

Due to the location of the mall in a business district, corporate orders for floral arrangements started to increase. The business volumes began to grow steadily, with retail and corporate customers using their products and services and getting used to the professional manner in which they operated. Corporates found it attractive to place an order on the phone or through email without having to deal with often unreliable and unprofessional local florists.

However, with quick growth came Florista's share of initial hiccups. As the business grew, the small store space became a constraint. To add to it, customers were not accustomed to a professional flower company. They would refuse to send orders by email. They would not pay up in advance until they saw the floral arrangement. Payment collections were also an issue. The system entailed one team handling deliveries and another team managing the collections, as the point of collection was different from the delivery point. With the set of available manpower and the growing number of orders, they were unable to collect payments from all customers. The number of debtors grew and the business began making losses. The bad debts soon mounted to more than Rs 1 Lacs.

The lack of well laid down systems escalated problems further. Services were taking a hit; man management of delivery team was poor; there was pilferage of cash by some handlers. Soon Florista found itself getting caught in a complete tangle. By 2006 when this became unmanageable by one person and the losses began escalating, the promoter considered shutting business.

However, having invested money and time, as an afterthought they decided to turn the business around. With not enough money to hire professional consultants to help, the promoter's wife Smriti, realizing the importance and challenges of being an organized player in this hugely unorganized industry, decided to get involved with the business. She was an electrical engineer by qualification and a software professional with over 14 years in the IT industry. She was then working for a German Software Company as Joint COO, handling Business Analysis and Development in European markets and heading overall operations of the company's Mumbai division. Recognizing the huge potential in this business, she thought her uncommon background of systems could be used to bring in the professionalism and change the way flower business is done.

### **The Turnaround**

The first step was to solve the problem of space constraint. The store was being used both for frontend and backend activities. To house the backend of the business a location in a downtown area offering low rentals was selected. This location would house the Workshop, Delivery & Collection Teams, Accounts and a Call Centre for Order Bookings. The workshop now handled all the corporate deliveries and customer deliveries which were earlier handled from the store.

The downtown location of the backend manifested in an unexpected problem. It was difficult to attract the talented and well spoken class of employees, who were necessary to handle Florista's target customer. This resulted in having to provide added training inputs and slowed the setup process.

Smriti quickly realised the role IT could play in Florista and decided to build an order management system software that could change the way the business was done. The offline Call Center was modernized and an Integrated Order Management Software was developed to handle order management efficiently. The software allowed besides customer details, the recording of his/her preferences of flowers, birthdates and anniversary dates, etc. which could be easily accessed on a click of a button. The company could now offer reminder services on these days and recall customer preferences at the time of booking the next order. Customers could now call and place customized orders over the phone.

Florista decided to use multi channels of retailing and the e-Commerce Website was activated allowing the company to go online. The company thus now operated on an online and offline model. This resulted in an extremely convenient medium for ordering flowers.

Next on launch was 'Florista Mobile', an application which every mobile user could have. They could order for flowers on the move. Select the flowers, enter recipient details, make payment - all of this through their mobile phone. The Call Center would immediately receive the order details for processing.

As part of the turnaround process, product presentations were specially taken care of and artisans were provided training in Ikebana style of arrangements and colour matching. A blend of dry and natural flowers was used. Use of artificial flowers was avoided. Both online and offline new attractive arrangements were regularly made available to the artisans by Floral Arrangers.

Orders soon began coming in for events and floral décor orders for festivals and weddings. This added to the growing top line.

### **Retail Growth**

The 1st store continued to operate at Phoenix Mills. However, the mounting rentals forced the brand to begin

scouting for another location. A new location just opposite the mall and right in the heart of the business district was selected. This new store was close enough to replace the store in the mall without loss of customers. With the new and improved systems in place, the business was now manageable and the brand felt the need to expand and grow.

In Orbit, a popular mall situated in Malad, a suburb of Mumbai, having noticed the brand approached them to replace the existing florist in their Mall. Florista had been looking for a mode to effectively handle deliveries for the increasing number of orders that were coming in from the suburbs of the city. So this offer was a welcome one. In addition, the store helped the company up its brand image. It provided a very visible location to the brand due to which impulse purchases were high.

After the opening of this store there were calls coming from all over India to start businesses in different locations. But being a new business, the promoters decided to go slow till they were able to create a replicable system.

To build the brand further, the third store was opened outside the arrival terminal, at the Mumbai Airport. This location helped not only in building the brand further but it introduced the brand to many new customers.

Florista had adopted the Hub & Spoke model with a central warehouse and call centre servicing the 3 stores. The brand now wanted to grow. But capital deployment was a limitation. The Hub & Spoke model didn't allow stores outside the city limits due to the perishable nature of the product. The systems were still being developed. There were also a number of outstation franchise enquiries that began to pour in. However it was too early to go the franchise route till a replicable business model was in place.

Instead since they received a number of orders for outstation delivery, they decided to tie up with Channel Partners across the country who would deliver on their behalf. An all India study was made and potential florists who could service orders were enlisted as Channel Partners. This mode however didn't allow the brand to execute deliveries in its unique style. Since the Channel Partners were not trained, there was a limitation of taking orders for exotic arrangements and it allowed only orders of hand bouquets. However this system addressed the challenge of outstation deliveries.

### **Franchise Network**

With systems settling, the company felt confident enough to explore the franchise route as a mode of growth. Various models of franchising were studied. The team met up with various franchisors and franchisees across the country to study how businesses operated. After going through a lot of exercises and thoroughly understanding the concept, they built a franchise support team and required systems. They realised that the franchisee needed support in different areas; marketing, advertising, manpower, operations and that's where they focussed all their energies. Florista participated in key franchise exhibitions and the response they received was overwhelming. Being a small business and no franchise business to showcase at times served a problem.

Based on the feedback received at these interactions, the franchise module was fortified and the 1st franchise was awarded in a posh suburb of Mumbai. A replica of the store was made. Florista helped the new franchise in marketing activities, operations and training. In the urgency to start the franchise network, a lot of leeway was made in franchisee selection and to accommodate the franchisee's needs and requirements. Within a few months of starting the clinks began to show. The franchise which was a partnership separated. The franchisee stopped investing monies and debts began to grow. Within a year of starting, with a heavy monetary loss booked, the company decided to withdraw the franchise.

Interestingly, the next franchisee came from within the system itself. One of the store managers expressed interest to start a franchise. Being well versed with the company, its functions and needs, this franchise worked very well. All marketing, operational and training support was extended to this franchise. The store within 3 months broke even. This was greatly encouraging for the team. Having learnt from both these

experiences they set about fine tuning their franchise offering and franchisee selection criteria.

Florista continued receiving franchise requests from many large business groups who were willing to open a large number of outlets. These were politely refused as Florista was clear that the franchisee needed to be personally involved in the business and in the store.

**The newly designed franchise selection criteria required a franchisee to fulfil the following requirements:**

- " From a professional background
- " Have sound financial backing and adequate investment capacity
- " Are open to using systems and processes right from the beginning
- " Would be personally involved with the operations
- " Are excited with the prospect of providing beautiful experience to people

**Training and support provided**

- " Store operations with Operation Manuals, Communication Manuals, Order Management, including training on the software.
- " Floral event management.
- " Team management.
- " Marketing, advertising support and recruitment of skilled manpower.

Complete training modules for staff, artisans and the franchisee were developed. An entire kit containing marketing, communication and order booking templates was provided along with a detailed operation manual.

Today Florista has 10 franchised and 3 Company owned outlets in Mumbai, Thane, Pune, Ahmedabad, Vapi and Bangalore. The future targeted locations are metros, tier I and II cities. They plan to open over 100 franchised outlets in the next five years. (Please refer for store formats - Exhibit # 1).

Florista today operates on a store format and an independent running Florista branded kiosk structure which can be placed in any high street location or Mall and can run independently as a Store. The stores are self equipped with floral artists and delivery team and act as delivery points. A customer can place an order from site, select a standard arrangement and the same arrangement can be delivered in any part of the country. (Please refer for store pictures - Exhibit # 2).

**Marketing Initiatives & Innovations**

A touch screen self service kiosk with an excellent presentation of over 200 floral arrangements to choose from is placed in every store. Customers may select by price, by flowers, by occasion and can even get ready help on messages to be written on the card. (Please refer for In-store Kiosk - Exhibit # 3).

The Singing Florigram. Flowers are delivered with a Live Song. A costumed Guitar Singer accompanies the flower delivery boy and sings 2 songs from a selected list and wows the recipient. A cartoon character can also accompany for additional cost and make it a happening event.

Corporate tie-ups, seasonal promotions, gift cards, low season schemes for customers, co-branding with premium related brands like cakes, luxury products, etc ensure footfalls at the stores. (Please refer for marketing tools - Exhibit # 4).

**Customers**

Customers are from the age group of 24-45. Retail customers either walk in to any of the 12 retail outlets or

place orders online. Corporates on the other hand can enter into contractual arrangements for floral decorations of office or meeting space, celebrating birthdays/ anniversaries of both, employees and key clients, various events and parties hosted by the senior management and for the corporate greeting and gifting calendar. Records are maintained of each and every order that is taken and details of all customers are recorded. Customer preferences are kept track off and is stored in the software as a knowledge base.

### Competition

The competitive scenario was based on the pricing that the roadside florists and the single store florists would keep. The prices were fairly low as compared to prices of Florista. However, the superior quality of their flowers, design of the arrangements, value addition in terms of convenience of ordering, delivery confirmations, early morning, midnight deliveries, and ability to handle volumes of orders coupled with consistency in maintaining these standards that have helped in combating competition.

Competition from the organised market is from Delhi-based chain Ferns N Petals. The Rs 40cr company has a total of 80 outlets in Asia, of which 60 are Franchise.

### Business Lows

The new entrepreneurial business had its share of lows during the period. A Florista kiosk was opened at an upcoming mall in Baroda. But it had to be shut down after 2 months of operation. The mall even after formal launch continued to remain unoccupied with large number of stores unleased. The poor footfalls lead to its closing and it left Florista with a huge cash crunch.

Another low in the business was when a franchise kiosk that was started as an experiment at one of the prominent cinemas, Sterling in Mumbai had to be closed down when the franchise did not have sufficient funds to continue.

Both these served as good learnings for the brand.

Brand USP - The biggest USP is that Florista is extremely professional in its approach which is rare in this business of retailing flowers. They are a complete customer-centric brand, where everything is about convenience to customers. All the processes have been simplified, be it selection of floral arrangements, delivery process, payment process, etc. Moreover, they have facilitated their customers to place orders through emails, smses and phone. Payments can be made in person, via mobile or internet banking.

An exclusive call centre facilitates order booking over phone and tracking of these orders. They have

### introduced a number of other practices that are rare in this industry, such as:

- " Developing integrated order management software for maintaining customer and orders' data.
- " Developing and implementing e-commerce website [www.florista.in](http://www.florista.in).
- " Introducing new products and services like Singing Florigram, 24 Carat Gold rose.
- " Confirmation SMS sent to customers after delivery of flowers
- " Reminder service for customers for birthdays and anniversaries
- " Starting and developing a franchise network.

### Challenges Ahead

Florista has grown by a respectable 40% a year, since inception. The company's operations currently include 42 employees, six outlets and a 24X7 call centre.

Sr.No	Start Up	Current Scenario
1	2-5 employees	50+ employees
2	One retail Store	Thirteen Retail Stores
3	Own Outlets	Started Franchising the brand (10 franchisees)
4	Flower arrangements / bouquets	Flower Arrangements, Large scale weddings and events
5	Local Deliveries	Local / National / International deliveries
6	Static Web Site	Dynamic e-Commerce Web Site
7		Call Centre and Workshop Facility
8		Integrated Order Management Software
9		Singing Florigram introduced
10		24 carat Gold Rose and other flowers introduced

The total amount of Capital raised for start-up was Rs 30,000/-. The business has been financed by loans from friends and from personal finances. It has grown from Rs. 45 Lacs in year 1 to Rs.160 Lacs today.

However the business had a potential to increase at a much faster rate, if there had been funds for Online and Offline advertising and a larger infrastructure for the Call Centre. To ensure that the business grows it is critical that funds are pumped in. The challenge today for Florista lies in raising funds be it through angel investors/ venture funds or other sources to invest in the business. In-spite of being a high margin business, the perishable nature of the product often turns a deterrent to investors.

**Future Plans for the next 5 years**

- Scaling up to have a National presence – 100 outlets
- Modernise current call centre to a National / International Call center
- Business T.O. of over Rs 50 crores
- Business T.O. of over Rs 500 crores in 8 years

**The opportunity in this sector**

There is huge potential for this business for new entrants. It is still a very niche market when it comes to branded and professional players. The industry is growing at 40%. Exports have declined so there needs to be an outlet for internal consumption in our own country. The more the fresh flower retailers in the system, the more it will benefit the entire chain.

**Corporate Social Initiatives**

As a corporate social responsibility initiative, Florista has tied up with Project Nanhi Kali - an initiative by KC Mahindra Trust and Naandi Foundation for the education of underprivileged girl children -- where Re.1 from every order placed with Florista is donated to this cause.

**Entrepreneur Speak**

Entrepreneurs, fired by their dreams and passions, have been the engine for creating new jobs, generating revenue, advancing innovation, enhancing productivity, and improving business models and processes.

Smriti says –

“As an entrepreneur my strengths are my positive attitude towards anything I undertake. Come what may, I ensure completion of tasks. I truly believe in my school motto which says 'I CAN and I WILL' and live my life accordingly.

Being a woman perhaps makes me a people's person and I respect all staff (labour and Office) equally. Motivating staff, encouraging them to open up and accept and learn from mistakes is one of the strongest qualities that I possess. Making the workplace a fun filled place, at the same time, educating staff on customer service and making sure that every Customer receives 100% satisfaction are my strengths.

But being a woman in this business is not easy. Men find it more comfortable to speak to a man. However this initial hesitation is wiped away once they meet me.”

Today both Smriti & her husband are working together to make this brand a success.

So will Florista be able to handle the challenge of raising sufficient funds to grow this idea which has proved to have adequate potential and give it wings?

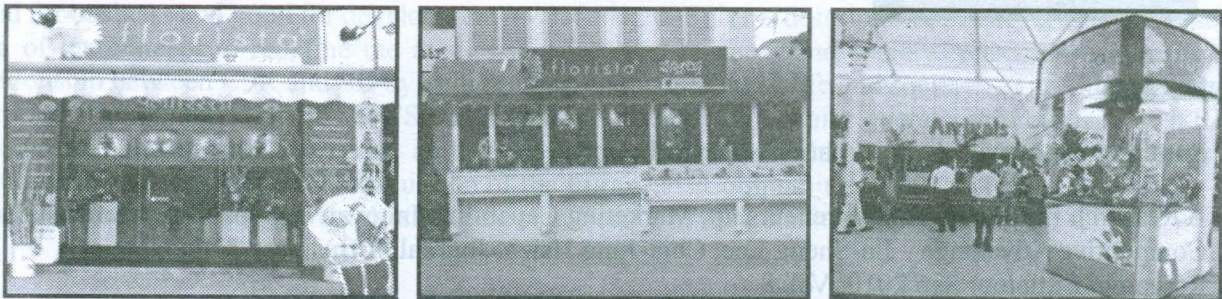
Will Florista be able to take this brand to a new level?

**Exhibits**

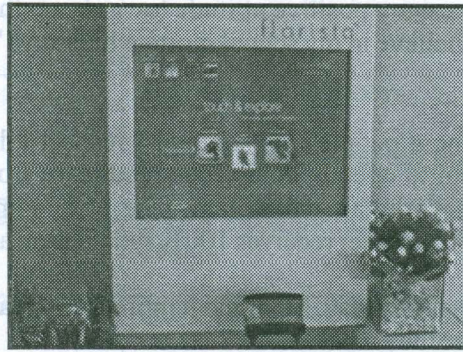
**Exhibit # 1 – Store Formats**



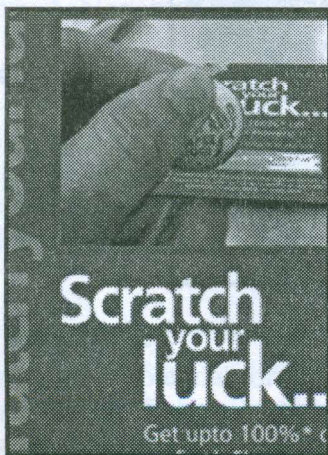
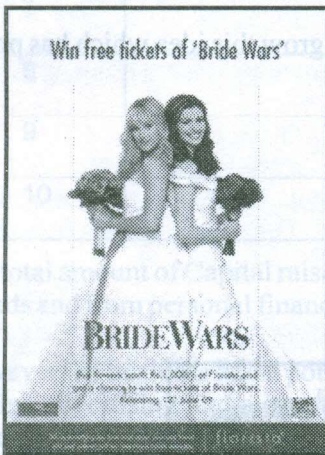
**Exhibit # 2 – Store Pictures**



**Exhibit #3 – In-store Kiosk**



**Exhibit #4 – Store Pictures**



**References:**

1. Entrepreneur New Venture Creation – David H Holt
2. A Research In Relating Entrepreneurship, Marketing Capability, Innovative Capability And Sustained Competitive Advantage - Jia-Sheng Lee, Chia-Jung Hsieh. Journal of Business & Economics Research. Littleton: Sep 2010. Vol. 8