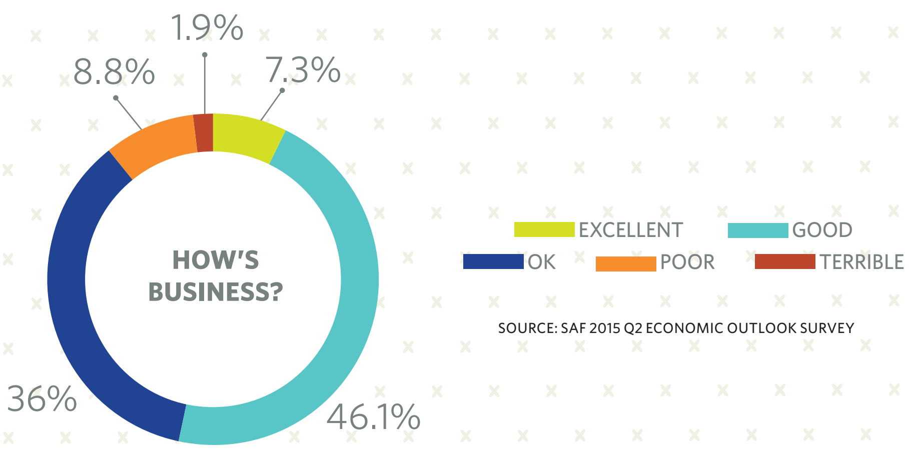
Halftime Report

BY KATIE HENDRICK

With six months down and six to go, this summer SAF members shared stories of mostly strong sales results for 2015.



> For many floral industry members, the first six months of 2015 seemed to bring welcome news: Record low gas prices. Booming local real estate markets. Consumers (finally) ready to spend some cash. In fact, at the end of the second quarter (June 30), when SAF queried members across segments about the state of business, 316 people responded, with 46 percent of them saying things were good — and another 7 percent classifying them as excellent.

Of course, not all survey respondents expressed the same positive sentiment: 36 percent said business was OK, and 9 percent said they'd call it poor. (Less than 3 percent identified the state of their business as terrible.)

Still, the mostly upbeat report could bode well for the rest of the year, and sales for the remaining major holidays. (Get those jingle bells ready; Christmas is just three months away.) This month, we'll take an in-depth look at some of the highlights of that survey.

Results Overview

The basic question driving the second-quarter survey —"So, how's business?"— generated different responses among industry segments.

For instance, 53 percent of **growers** classified business as good, 13 percent said it was excellent, 27 percent said it was OK and 7 percent said it was poor.

Wholesalers, suppliers and importers appear to be seeing even stronger results: 67 percent of these respondents said business was good and 11 percent called it excellent. Meanwhile, 22 percent said it was OK. (No respondents in this group said it was poor.)

About 45 percent of **retailers** said business was good and 37 percent said it was OK, while 7 percent termed it excellent. Nine percent said it was poor, and about 2 percent said it was terrible.

When comparing the second quarters of 2014 to the second quarter of 2015, 50 percent of all respondents said gross sales increased, 23 percent said they dropped and 24 percent said they stayed about the same. (About 3 percent said they weren't sure how the quarters compared.)

Among respondents who said 2015 second-quarter sales were lower than 2014 second-quarter returns, more than half (59 percent) said the drop was between 1 and 10 percent; about a quarter reported an 11 to 20 percent drop; 9 percent saw a falloff of 21 to 30 percent; and only 4 percent saw a steeper decline of 31 to 50 percent.

Among those who experienced higher second-quarter sales over the previous year, nearly three quarters (71 percent) saw a bump of 1 to 10 percent, less than a quarter (22 percent) saw gains of 11 to 20 percent, and 10 percent had increases higher than 21 percent.

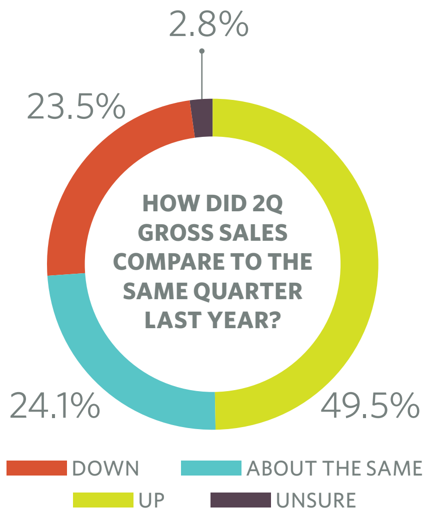
Feeling Good...

Overall, **48 percent of all respondents said they were optimistic** about sales expectations for the remainder of 2015 (13 percent said they were very optimistic) — a positive indicator that seems to echo the earlier sentiment by SAF Chairman Bob Williams III, AAF, PFCI, vice president-North American operations at Smithers-Oasis, who predicted a positive year for many in the industry during last year's State of the Industry address with SAF CEO Peter Moran. About 32 percent of respondents said they were neutral or uncertain about sales projections for the remainder of the year. Only 7 percent of respondents were pessimistic, and less than 1 percent reported feeling very pessimistic.

Looking again at those numbers by segments, 50 percent of **growers** reported feeling optimistic and 50 percent were neutral or uncertain.

Among **wholesalers/suppliers/importers**, 75 percent characterized expectations as optimistic, and 25 percent said they were neutral or uncertain.

About 45 percent of **retailers** said they were optimistic, and another 13 percent said they were very optimistic. Thirty-four percent of that group said they were neutral or uncertain. Seven percent said they were pessimistic, and about 1 percent said they were very pessimistic.



SOURCE: SAF 2015 Q2 ECONOMIC OUTLOOK SURVEY

... But Staying Cautious

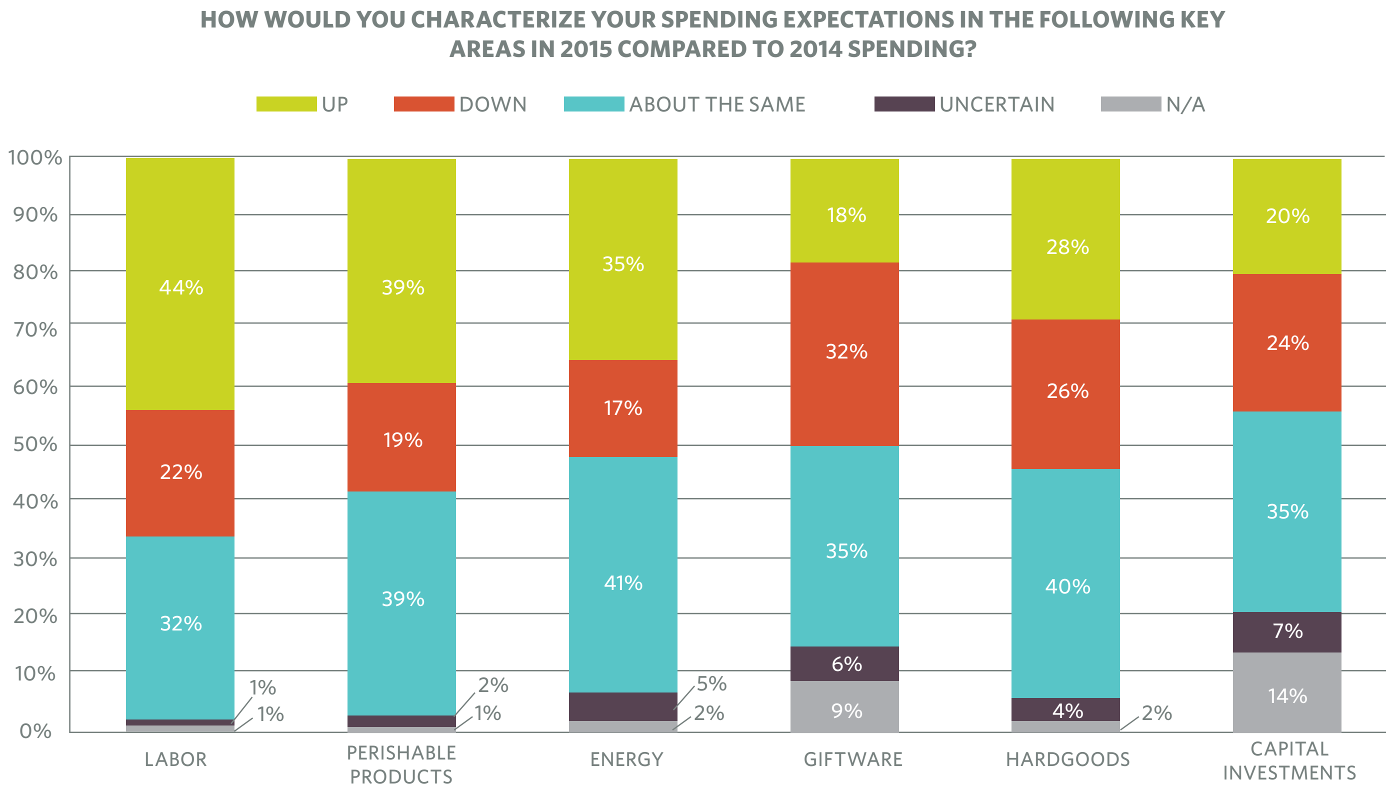
Time to break out the victory dance? Not so fast.

In write-in responses, many respondents — from all segments — expressed **relatively cautious optimism**, noting continued concern over challenges such as competition from order gatherers, mass-market chains and supermarkets, along with the value of some wire orders; outside factors, including immigration reform, health care and energy costs; as well as perennial challenges, such as finding skilled or qualified workers, keeping costs in check and planning for the next generation of industry businesses.

"The economy is very volatile," said one northwestern wholesaler. "Any number of insane acts could upset the apple cart, as can international events, like Greece's bankruptcy or terrorist attacks. There's no way to plan for these things." (Indeed, at press time, investors in the U.S. were reacting to a dramatic stock market drop in mid-August — just the type of news that could rattle some consumers.)

Another respondent, a grower in the Northeast, saw an improvement over last year's sales but is uncertain about how the rest of the year will pan out, due to national politics, particularly the upcoming presidential election. In response to the Affordable Care Act, he plans to reduce employee hours and only hire part-time workers.

Cost cutting led several respondents to profit gains over 2014. One Midwestern retailer, who described business as "excellent," lowered his costs of



SOURCE: SAF 2015 Q2 ECONOMIC OUTLOOK SURVEY goods sold by buying containers in bulk (for a discount) and sourcing some flowers directly from farms. Several wholesalers eliminated positions and reduced benefits. One northeastern grower reduced his electric bill with LED lights.

Several retailers, all across the country, credited their uptick in business with sales training, which raised their average order value. One, in Virginia, spent the past few months nurturing relationships with her local funeral directors, and saw her sympathy business grow accordingly.

Despite a slight sales dip (1 to 10 percent) from Q2 2014, one Colorado retailer is confident she'll end the year on a high note. "Gas prices are down, real estate in our area is strong, and our florist business is up," she said. "The challenge has been the weather with our garden center. If it hadn't been a rainy spring, we would be doing very well."

Year-End Team Building

In addition to finding out about past sales, the survey also asked respondents about their future plans, including staffing during the busy winter holiday season.

When asked about hiring plans for the next six months, 63 percent of respondents said they have **no plans to hire regular staff** (the question excluded seasonal and holiday help). Twenty-two percent said they're likely to add part-time workers only, and 10 percent said they expect to bring in new part- and full-time employees. Five percent were unsure of hiring plans, and 3 percent said they are hoping to bring in new full-time employees only.

In related results, 26 percent of respondents said they plan to **give pay raises/salary increases** in the next six months; 21 percent said they would likely **reduce hours** — but another 17 percent said they plan to add hours; 13 percent said they would not replace employees who leave; 5 percent said they would have **salary freezes**; about 6 percent said they would **add benefits** — while less than 1 percent said they would reduce them; and about 2 percent anticipate **layoffs** in the remainder of the year.

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