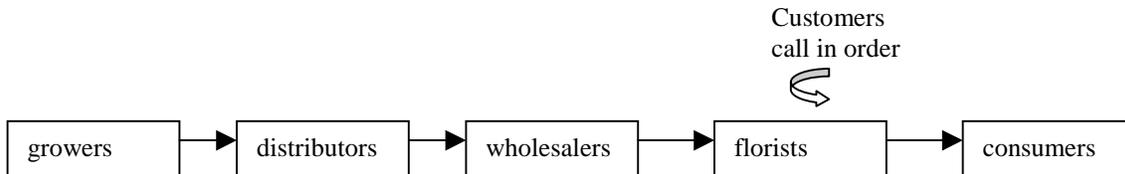


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Example Case Writeup for
Calyx and Corolla

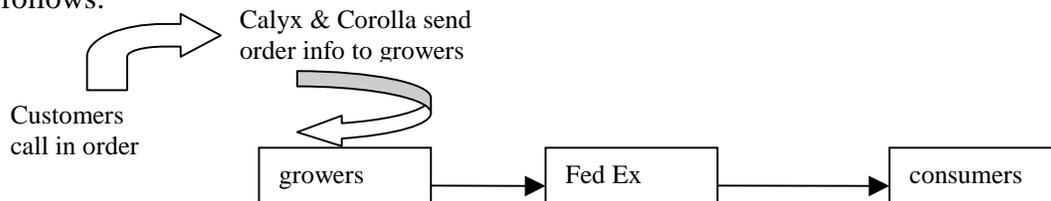
#1 – Value Added Chain

The value-added chain for typical florists can be depicted as follows:



The distributors are typically located in the growing regions. The wholesalers are geographically dispersed. Most flowers are ordered directly from the florist and delivered to the recipient (consumer). Small family-operated companies dominate the entire chain. In many cases, industry participants have some role across the organizations (i.e. some wholesalers also grow some flowers). Mark-ups are substantial from one organization to the next, causing a resultant mark-up of almost 800% from the growers to the consumer.

In contrast, the value-added chain using Calyx & Corolla's approach can be depicted as follows:



With the Calyx and Corolla approach, information travels from the customers to Calyx & Corolla, directly to the growers. The growers then package the flower orders in their final consumer packages. The flowers are transported by Fed Ex to the consumer. The Calyx & Corolla approach allows consumers to receive fresher flowers by as many as 7-10 days over the traditional approach.

#2 – Strengths and Weaknesses

Strengths

- Fresher flowers to consumers
- Less “middle-men”, more profit for those involved

- Allows Calyx & Corolla to gather consumer information (what they order, how often)
- Customer service can track orders with on-line tracking system
- Continuity programs off-set some seasonability
- There are no build up of inventories in intermediate warehouses (cost savings)

Weaknesses

- Customers can't see flowers before the purchase
- Stretches responsibilities for growers (package in final container, write card)
- Added complexities for Fed Ex versus delivering other packages (time sensitivity, delivery on exact date, can't leave flowers out in freezing temperatures).
- Calyx & Corolla doesn't see flowers to do quality check
 - Reliance on both growers and Fed Ex with Calyx and Corolla's reputation on the line.
- Reliance on a fairly small group of growers (30) compared with other retail establishments

#3 – Core Competencies

Relationship with other members of the value chain

Calyx & Corolla has been able to develop strong relationships with both their growers and Fed Ex to ensure that their consumers get the quality product they expect. Calyx and Corolla have exclusivity contracts with their growers. They have trained the growers to package the flowers in presentable and durable consumer packages, and pay them for this extra work. They have developed good communication lines for supply and demand information. Fed Ex provides Calyx & Corolla with the most reliable name in delivery services. Fed Ex first thought of Calyx & Corolla as a small player with special requests that were difficult to fulfill. Calyx and Corolla has worked on this relationship, and now Fed Ex delivery personnel determine whether it is appropriate to leave a delivery when nobody is home (if it is too cold, the flowers will freeze).

Customer Service

Calyx & Corolla hires customer service representatives that have a passion for flowers and can help customers make an ordering choice. They provide freshness tips and information about the flowers in their catalog. They provide delivery on the day requested, and have an on-line tracking system to follow-up on problems. They provide fresh quality flowers and a money back guarantee. The satisfaction of their customers is exemplified in the letters in the case.

Logistics

Calyx and Corolla recognized that several steps of the value chain were non-value added and took the necessary steps to delete those steps without negatively impacting the consumer. Their research on the preservation and packaging needs of flowers and the training of growers in packaging techniques is a novel approach. By teaming with Fed Ex, they were able to latch onto the delivery competency that Fed Ex has already perfected. All this results in fresher flowers, and happier consumers.

Marketing

Calyx & Corolla uses information on existing customers to determine how to make new sales and new customers, and how to best distribute catalogs. The management is involved in the design of new flower arrangements and the layout of the catalog. Calyx & Corolla have also been successful at some very novel marketing approaches like the Bloomingdale's vase purchase/flower give-away promotion, and the Contact purchase/flower discount program. They have also been able to reduce seasonality with their continuity programs. Lastly, they have pursued media attention as a way of promoting their name and concept.

#4 – Information Technology

Calyx & Corolla uses the Fed Ex tracking system as described in #3. They receive orders by telephone and fax from customers and send orders to the growers by use of a modem. The modem technique helps to provide quick and accurate information to the grower without the interruption of several phone calls a day. Lastly, Calyx & Corolla have an extensive database of existing customers, recipients of flowers, and potential customers (those that have requested catalogs, etc.). Executives explore this information to focus their marketing efforts.

#5 – Barriers to Entry

Relationships with growers and distribution companies – Calyx & Corolla has developed exclusivity contracts with their growers. The case mentioned that Owades had a difficult time getting Fed Ex to agree to provide this service with the special considerations needed (see #3). It may be difficult for another company to convince Fed Ex that they are worth the additional trouble. Other delivery services are available, but not with the same quality reputation as Fed Ex.

First Mover Advantage – Calyx & Corolla have developed several advantages by being an entrepreneur in this industry. They have had first choice at the top quality growers who are willing and able to perform the retail tasks. They have also had time to get the growers up the learning curve on how to package the flowers. They have an established database with valuable customer data. And they have developed a loyal clientele.

#6 – Business Opportunities

- 1) Develop an online catalog and use a firm like Double Click to send browsers to their site. With Double Click, they could focus on such words as “flowers” or “gift”, or any of the holidays. This would likely be a fairly low cost venture, and could open up their market to a whole new audience. Due to it’s low cost and high potential payback, plus low exit cost if it doesn’t pay off, this option should be pursued.
- 2) Develop a program to allow customers to send a “virtual bouquet” of flowers to a friend. The consumers are sent to the Calyx & Corolla site to pick the bouquet from their catalog. The recipient is also introduced to Calyx & Corolla. Likely, recipients would send a bouquet to someone else, continuing the chain. Unfortunately, there may not be a high correlation between those that would send a virtual bouquet and those that would spend over \$30 to send an actual bouquet. This method also takes a lot of the emotions and feelings out of giving and receiving flowers.
- 3) Team up with one of the big Internet companies who have a lot of site visits (like Netscape Navigator or Yahoo) and do a promotion where you “hide” a bouquet on their home page. When a consumer “finds” the bouquet, they get transferred to the Calyx & Corolla site to pick out a bouquet to be delivered to them. The difficulties in this scheme are getting the site to agree to the promotion and getting space to describe the promotion to consumers. Also, unsolicited flower give-aways may or may not pay off.

All of these options include an on-line catalog for Calyx & Corolla. I think that is the first step to any Internet adventure. Option one has the lowest cost and the highest potential payoff because you are using Double Clicks internet marketing knowledge to bring people a higher percentage of people to your site who might actually purchase flowers.