

15.561A and 15.566

Example Case Writeup for
Calyx and Corolla

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1. *Compare structure of the value-added chain in Calyx & Corolla's approach to flower delivery to that of the traditional florists.*

The distribution channel for the traditional florist in the 1980's and 90's consisted of the flower grower who sold to the distributor, which in turn sold to the wholesalers and they sold to the retailer. The retailer sold directly to the customer. In some cases the grower and distributor were the same entity selling directly to the wholesaler or sometimes directly to the retailer. In contrast, Calyx and Corolla had a very simplified supply chain. Calyx and Corolla were in direct contact with the flower grower. C & C sent customer's orders directly to the grower who packaged the products and sent them via Federal Express directly to the customer. By doing this they were able to substantially decrease the time it took to deliver the flowers from the growers to the final customer and were also able to decrease costs.

2. *What are the strengths and weaknesses of the Calyx & Corolla approach?*

Strengths

- Reduced time to deliver from grower to final customer. This allowed for a fresher flower delivered to the customer.
- Cut all intermediary commissions in the supply chain. This allows C & C to be very competitive in the market, offering a great product at a cheaper price. Even though C & C had to pay extra to the growers because of the extra retailer service that they did, C & C is still getting 80% gross margin on sales.
- Catalogues illustrating the flowers being sold. This is a concept that customers like because they are able to see and select what they are buying.
- Money back guarantee is a factor that assures the customer that the product they are buying is a good quality.
- Take advantage of lower prices when stocks of growers were high.

Weaknesses

- In a way they do not have quality control on the flowers that the growers are sending to the customer because they do not control the operation and do not see the product being shipped.

- C & C only buy flowers within the US. If the climate is not good one season and there is more demand than supply, they are in trouble because they might not be able to deliver all of the orders. Customer dissatisfaction is the consequence.
- This system depends too much on the ability of Federal Express to ship all packages on time and special handling so that the flowers don't get damaged. It is a very important part of their operation that they cannot control.
- Customers do not see the "live" arrangements of flowers and this may deter some clientele.

3. *What are Calyx & Corollas core competencies?*

- Maintaining an excellent relationship with growers and offering them "a new distribution opportunity that could increase sales and help offset the seasonality of their business." Growers were attracted to C&C and were encouraged to give a good product and service something that traditional florists didn't have.
- Maintaining an excellent relationship with Federal Express. It was extremely necessary to have an on time delivery and cautious handle of the flowers. This assured C & C that every delivery was going to be successful and that the flowers were going to reach the customer as if they had been just cut from their garden. There was also a negotiation on price and special services like trucks left at grower's site until full.
- Excellent sales staff and customer service representatives were key factors for the success of the company for these people were the ones in contact with the customer. C & C was able to recruit people interested in flowers and gardening so that they would enjoy their jobs much more and give a better service.
- Senior management's involvement in training staff, customer service reps, and involvement in developing new product lines and catalogues.
- Providing growers with shipping boxes, cards, labels and vases. This assured uniformity and quality in the product.

4. *What is the role of Information Technology in Calyx & Corolla at the time the case was written (1992)?*

The presence of information technology in Calyx & Corolla is not very prominent at the time the case was written but it did pose great advantages by having it. Calyx & Corolla had a sophisticated information system that allowed them to evaluate and exploit that vast customer data that they had. With this system, the marketing campaign targeted mostly the potential clients ensuring that the marketing expense would leverage with their sales. Another important role that IT played in C & C was that Federal Express had set computer terminals at both Calyx & Corolla and the grower's site so that they could both track a specific package. This helped C & C increase customer satisfaction by being able to offer an additional service. If a customer called and wanted to know if the package had been delivered or not C & C could respond that moment. Lastly, Calyx & Corolla sent the orders by modem once or twice a day to the growers. This was more effective and efficient than sending the orders by fax not to mention by phone or mail. This provided a fast and efficient way of getting the order to the growers so that they could respond JIT.

5. *What are the barriers to entry for competitors that would like to clone the concept?*
- An already established clientele, C & C can reach customers they already know who are likely to buy again from them. They have a very good mailing list already established.
 - It is unlikely for the best overnight delivery service to partner with another flower service like C & C. It is not clear in the case but C & C might have special arrangement with FedEx so that they can't give this type of service to another company. Also, the service is somewhat complex and this start up company would have to offer a lot to FedEx in order for them to take them as customers.
 - C & C has a first movers advantage and with this is further down the learning curve.
6. *Outline three business strategies available to Calyx & Corolla to sell flowers on the Internet. Which one should they pursue?*
- Calyx & Corolla should create their web site on the Internet so that potential or current customers can see the arrangements and sales being offered. This site should also give customers the possibility of ordering from their web site. As part of this strategy, C & C should have advertising banners in companies such as Lycos, Excite or Yahoo (just to name a few). This way more people get to know them, just imagine all the people that go into any of these companies a day! I am not suggesting that all these people are potential customers but the more people see the ads the more they will know about C & C's products and services and the more customers they can have. This is the strategy they should pursue.
 - Other strategies could be that C & C partners with an Internet provider. Once a customer signs with the Internet provider they send a C & C bouquet as a welcome gift. This expense would be taken into account in the joining fee and would serve as a great advertising device for C & C and the Internet provider would differentiate itself from its competitors.
 - A third strategy could be that C & C partners with a charity that has a web site on the Internet. This web site should have an ad about C & C saying that for an x amount of money spent on a C & C product a certain amount will be donated to this charity.