

CHANGES IN THE GOVERNANCE OF THE FRENCH MARKET FOR CUT FLOWERS: CHALLENGES AND OPPORTUNITIES FOR FOREIGN SUPPLIERS

Manoel XAVIER PEDROZA FILHO¹

PhD student UMR MOISA / SupAgro Montpellier

Address : 2, Place Pierre Viala, Bât. 26, Cedex 1, 34060, Montpellier - France

Tel: 00 33 4 99 61 23 28 Fax: 00 33 4 67 63 54 09 Mail: manoelpedrosa@yahoo.com.br

ABSTRACT:

For a long time, one governance structure dominated the marketing of cut flowers in France: the wholesalers and the traditional florists. Recently, this governance structure has lost much of its appeal, while new governance structures have become more popular. This paper tries to explain the actual changes in the governance structure of the global value chain of cut flowers in France and prints out implications for the foreign suppliers. In line with the debates addressed in this subject, the specific focus is upon the rising power of supermarkets and flower shops franchises in the coordination of supply chain and the new competences demanded to the suppliers in order to be successful. Based on the literature on global value chains and governance structure we identify the main factors of chain governance in the cut flowers industry. Data were obtained through field work in France was conducted in 2007 and data was collected from face-to-face interviews with supply chain participants including large food retails, wholesales, franchise flowers shops, institutions (VINIFLHOR - French professional office of fruits, vegetables, wines and horticulture, FNPHP - French national federation of horticulture and nursery producers, Flower Council of Holland), freelance consultants and the managers of the largest French wholesales markets (SICA/Hyères and Rungis/Paris). The structure of the supply chain in the French market is characterized by a complex circuit of distribution channels such as Dutch auctions and wholesalers, or more direct channels such as large retailers. This paper serves as a useful case study through which to examine the more specific ways in which retail chains are re-shaping the chain governance and strengthening own position in the chain. Fieldworks in France show the increasing marketing share of supermarkets and flower shops franchises in the sales of cut flowers and the changes of supply chain governance. The organization of supply chain of these channels in purchase centers underlines two important aspects of governance structure: the reduction of wholesaler's roles and the need of large and specialised producers in order to meet the new retailer's demands in terms of large volumes, varieties of flowers, and regularity of supply. French large retailers have recently begun to forge much more direct connections with foreign growers and Dutch importers. This link is coordinated from large structures of purchase called purchase centers. This structure allows the retail chains to maintain control over the supply channel from a fully integrated marketing chain. Results show that in considering the pressures over foreign producers in order to comply with the retailers' demands, the complexity of new competences requested does not stop with the low cost production and large volumes. The implications for foreign producers concern also the need to adapt their production process to meet the new demands concerning products innovations (colors, varieties), labels and logistic structure.

KEY WORDS: governance structure, global value chain, France, cut flower, large retailers.

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1. INTRODUCTION

The aim of this paper is to present a theory-informed consideration of how the large retailers are playing a powerful role in shaping the governance forms in the French cut flowers supply channels. In line with the debates addressed in this subject, the specific focus is upon the rising power of supermarkets and flower shops franchises in the coordination of supply chain and the new competences demanded to the suppliers in order to be successful. Moreover, this study contributes to the literature highlighting the rising power of retailers in the agrifood markets and their capacity to exert control over supply chains (see, for example, Dolan and Humphrey, 2004; Dries et al., 2004; Hughes, 2000; Ponte and Gibbon, 2005; Wrigley and Lowe, 1996).

The French cut flower trade provides a valuable case study through which examines the power of retailers to shape commodity systems. The structure of the supply chain in the European market is characterized by a complex structure of distribution channels. Most cut flowers are produced in other continents (i.e. South America, Africa and Asia) and arrive in the European market through the system of the Dutch auction² intermediation. In this governance structure intermediation costs involving Dutch auctions are high and logistics is quite complex. The increasing marketing share of supermarkets and franchised flower shops in the sales of cut flowers changes the governance of supply chain. The pressure over costs, shorter delivery times and the flexibility required by suppliers, fosters the development of increasing vertically integration of the organization of governance forms and includes fewer intermediaries. The supermarkets and larger flower retailers' international purchasing centres coordinate the logistics and supply directly from the various producing areas and markets around the world without going through the Dutch auctions. These new governance forms require higher standards from producers in specific conditions such as: large volumes ordered, contractual arrangements, innovations in new brands, certifications and labels (MPS, Fair Trade labels).

² Auctions are wholesale markets created by the growers to market their products. The first flower auctions were set up in the early 20th century in The Netherlands. Nowadays, there are about 10 flower auctions in Europe. The most relevant ones with respect to flowers from developing countries are located in The Netherlands. The auctions in The Netherlands are co-operatives, owned by domestic growers and open to membership for all growers in the EU, as well as to some growers outside the EU. The number of members from outside the EU is increasing. The main purpose of the auctions is to handle produce from their member growers, who are obliged to submit their whole production to the auction. Floricultural products submitted to the auctions are sold either by means of the auction clock or through the Intermediary Office.

The objective of the paper is therefore to examine how the French retail channels, as a significant set of actors mediating between the consumption and production of cut flowers, play a powerful role in shaping the relationships between some of these agents. To do this, we draw upon some preliminary fieldwork concerning trading links between French retail channels and foreign suppliers. This paper is composed by four parts. In the first one, we describe our approach, which is developed through a consideration of theory literatures on global value chains and development of competences. Next our fieldwork is briefly described in the methodological section. In the part three, based in secondary data, we present some key changes in the internationalization of the cut flowers industry. In the next part, the results of our field work are related in terms of main aspects concerning governance of the value chain for cut flowers in France. Finally, in the conclusions we explain the significant impacts that the large French retailers are having upon the trading networks that link them to their suppliers.

2. GLOBAL VALUE CHAIN

One of the most pervasive theoretical bases for thinking about the links between the production, distribution and consumption of goods is that of the global value chains (GVC). This approach considers the key issues influencing the relationships between buyers from developed countries and suppliers in developing and emerging countries. The emphasis is given to the efficiency of co-ordination mechanisms between buyers and suppliers (Palpacuer, 2000). The cut flower chain has much in common with GVC, in the sense that its dynamics are frequently dictated by buyers in the developed world, including retailers and trading organisations. Historically, the key buying groups driving the trade have been connected with the Dutch auction houses (Hughes, 2000).

The global value chain designates the set of productive activities achieved by organisations in several geographic locations in order to take a product or a service since its inception to the final consumer. Every actor in the chain contributed at least with one additional activity, adding value progressively to every stage of the production or service process (Gereffi, 1994). The GVC approach does not focus exclusively on the analysis of the relations between one firm linking several activities geographically spread. It focuses on the control and co-ordination of the overall

activities. Therefore, the analysis of GVC does focus on the dynamics between firms and the underlying governance forms (Humphrey et al, 2001).

The GVC provides an organisational framework helping firms to improve their positioning in the international trade. At first, GVC can also exclude firms that do not incorporate the conditions and the increasing costs, at least in the short run. The power of key actors and its capacity to take into account the less powerful actors to execute low cost activities, or at least excluded (Raikes, Jensen et Ponte, 2000 p.7). Gereffi (1994, p. 97) defined GVC as a productive system including 4 main dimensions: **Structure input-output** - it includes the overall economic flow of products and services in the adding value to the final product ; **Geographical structure (territoriality)** - the spatial dimension of the production and distribution network; **Social and institutional context** - law and public politics which govern the enterprises activities in regional or international scale; **Governance system** - the power relations which determine how the human, financial and material resources will be used in the Global Value Chain.

2.1. THE GOVERNANCE STRUCTURE

The analysis of the governance structures is determined in relation to the process of the emergence of the competences of the peripheral actors. Humphrey (2004a) affirms that when an enterprise takes steps to access in a market, it has to concentrate to the analysis of the different governance forms to highlight its main advantages facing the process of the creation of the competences. The governance concerns the capacity of a firm to influence or determine the activities of the others firms in the chain. This influence takes place in the definition of what products must be produced and in the indication of the process and the law to use.

Two perspectives on governance structures exist: formal and informal institutions. Institutional economists focus on the formal institutions, while social-network theorists use a broader definition by also including informal institutions. In institutional economics, the emphasis is on formal institutions, such as laws, contract rules, formal codes of conduct, and official arrangements, which together make up the governance structure. Moreover, informal institutions, such as norms, traditions, customs and culture, also influence transactions (Bijman, 2006). In this

paper we adhere to the broad approach, and define a governance structure as the set of formal and informal institutions that regulate a particular transaction.

The concept of power (or control) is often used in the analysis of governance structure. This power is practised through the control of some factors (Gereffi et al, 2001): key resources needed in the chain; decisions about entry to and exit from the chain; monitoring of suppliers; provision of technical support to the suppliers in order to enable them to achieve the required performance. In the cut flowers industry the two last factors are very often. The analyse of governance structures are crucial for the upgrade process of peripheral actors in developed markets. Humphrey (2004 p.36) states that in the process for access to the market the company should prioritize the analysis of different forms of governance in order to enhance its benefits key face the process of creating competences-keys.

In the global chains of agricultural products, the control is often exercised by firms located in the downstream. In this case the power of these companies comes from two attributes (Kaplinsky, 2000): their power in the market (measured by the concentration or market share); and their position in segments of chain in which they can create and / or ownership of activities with high added value. The two power sources are derived from a variety of barriers to entry.

Palpacuer, Gibbon and Thomsen (2005) argues that there is a need to differentiate two central elements in the analyses of governance structure – the first refers to organizational processes of chain coordination while the second refers to means of influencing the distribution between agents of total income generated along the chain. In order to analyses these dimensions Gibbon and Ponte (2005) suggests two approaches: a narrow approach with focus on the agglomeration of individual interfirm relationships along the chain, and a broader approach to analyses relations of power as manifested in issues of drivenness, asymmetrical ability to take make or buy decisions and consequent asymmetrical flexibility to change partners.

3. METHODOLOGY

This paper is developed not only by secondary data sources, but also by preliminary fieldwork focuses on the links between institutions of the market, suppliers and retailers channels in France.

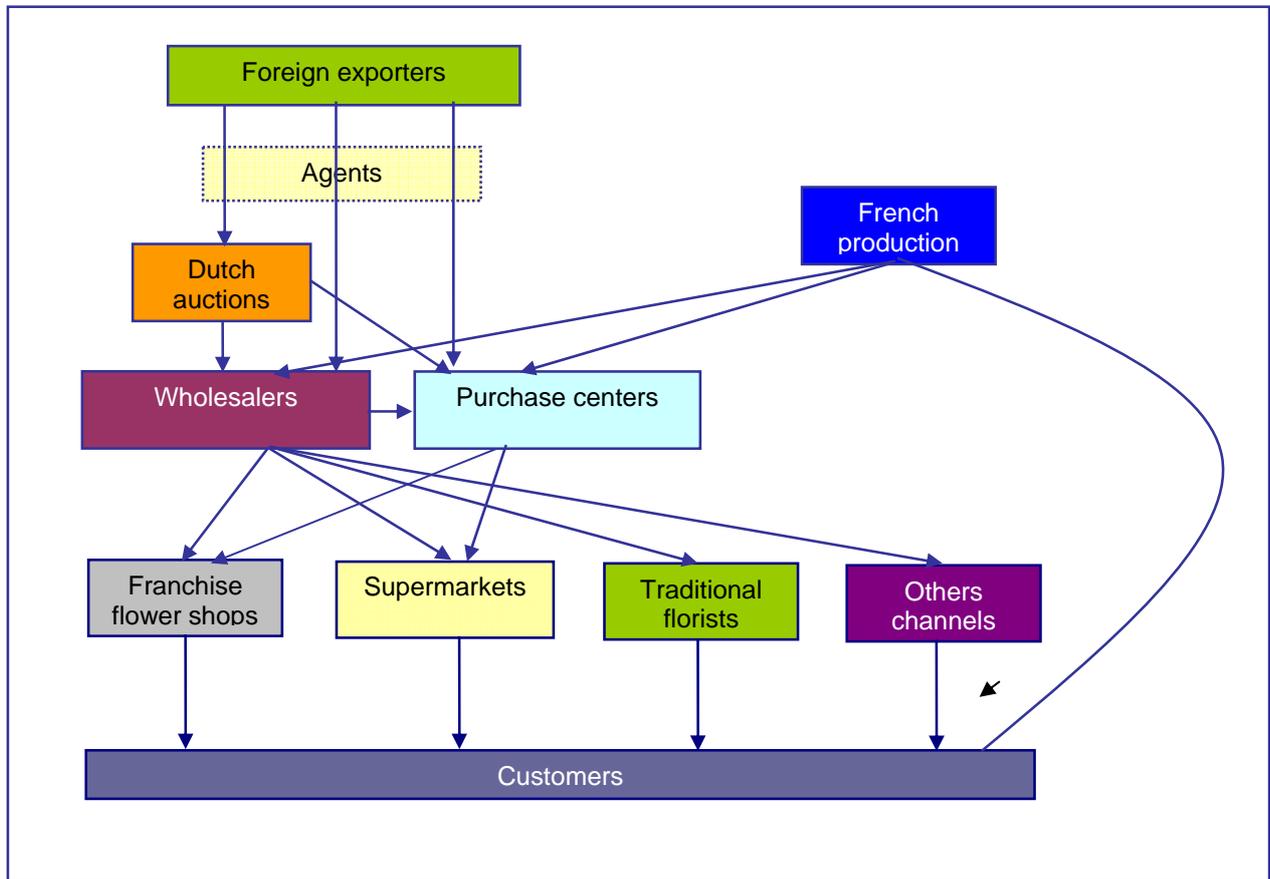
Fieldwork in France was conducted in 2007 and data was collected from 10 face-to-face interviews with supply chain participants including large food retailers, wholesales, franchise flowers shops, institutions (VINIFLHOR - French professional office of fruits, vegetables, wines and horticulture, FNPHP - French national federation of horticulture and nursery producers, Flower Council of Holland), freelance consultants and the managers of the largest French wholesales markets (SICA/Hyères and Rungis/Paris). This work was undertaken in the field work of actual PhD thesis of author.

3.1. DELIMITATION OF THE GLOBAL VALUE CHAIN

The main problem related to the definition of GVC is to define the limits (where the chains start and finish) and how they are divided. Some researchers assume that this definition should include all processes and transactions from the primary product until the final good. Others choose particular segments (cotton textiles, textile clothing), or even simple processes (emphasized by Hopkins and Wallerstein under the name of "boxes" and Gereffi et al as "node").

However, this definition of the limits has still difficult due to different activities involved in the design, production and distribution of one product. For example, in the case of the chain of cut flowers, there is a range of actors ranging from enterprises creating "brandings" until the professional decorating that have a great importance over consumption trends. In this sense, the delimitation of the chain must consider not only the activities involved from the beginning until the process of transformation and distribution of the product, but also the relationships between companies, as aspects concerning transactions, and flows of financial, information, goods and people (Gereffi, Humphrey, Sturgeon, 2003).

Figure 1 - Delimitation of the French cut flower global supply chain.



Source : Author.

4. THE INTERNATIONALIZATION OF THE CUT FLOWERS INDUSTRY AND THE CHANGING ROUTES TO THE MARKET

Europe is the most important international market of cut flowers, accounting for approximately 50% of the volumes marketed across the world. This market is characterized by a concentration of demand (Germany, United Kingdom, The Netherlands, France and Italy responsible for about 80% of the European market for cut flowers) and by a dispersion of suppliers in different regions of the world (particularly, in developing countries). This market structure creates a very competitive environment, characterized by low industry barriers, low price differentials between suppliers and buyers and also few differences between the varieties of flowers.

The consumption of cut flowers tends to stabilise in Europe, but today the goals and consumption habits are changing. The purchase of cut flowers was fostered by bigger retailers (franchise

flower companies and major food retailers). According to the Flower Council of Holland large food retailers accounts for approximately 30% of cut flowers business in Europe. At the same time, the production of cut flowers in developing and emerging countries was improved through these new marketing channels, independently of Dutch auctions. These changes lead to the emerging of a new reorganisation of the cut flowers flows between North and South hemispheres.

In order to face the competition arising from the increasing concentration of distribution channels at the European level, Producer's Organisations (P.O.) and marketing companies must adapt by diversifying their offerings around the year. Marketing channels establish strategic alliances with foreign companies – volumes are increasingly bigger and logistics help completing the diversification process with foreign supplies. In the current context, the hegemony of Dutch companies in the European market challenged. The new competitors, the changing preferences of consumers, the emerging of new technologies improving production and distribution of cut flowers and the emerging of new competitors in retail.

Cost constraints, the shortening of the time in delivering cut flowers, and the flexibility requested by suppliers, the global value chain of cut flowers includes less and less intermediaries. The major food retailers relaunched global consumption (cut flowers became cheaper and more popular in this channel) sources cut flowers in shorter sourcing chains and less dependent from the Dutch auction markets. Therefore, cut flowers are not constrained as before to transit by Aalsmeer or to use other logistic platforms before reaching the final retailer (Jourdhier, 2006a).

This transformation is also confirmed by several experts of the industry (Bloemenveiling Aalsmeer, 2007 ; CBI Market Information Database, 2006 ; FloraHolland, 2007; Hughes, 2000; Silvis et Bont, 2005), anticipating an increasing in the number of transactions between foreign suppliers and marketing channels driven by large food retailers in Europe, at the expense of Dutch auctions.

4.1. THE DYNAMICS OF DELOCALIZATION IN THE PRODUCTION OF CUT FLOWERS TOWARDS COUNTRIES LOCATED IN THE SOUTH

In the last thirty years some factors such as the expansion of international trade, the development of a global demand for out-of-season flowers and the weather constraints of temperate regions engendered the import of products originated from other countries around the world. This includes regions like Africa, South America and Asia. In the regions located in the equatorial region the sun shines 12 hours a day, all year round and the zones of altitude benefit from ideal temperature gaps between the days and nights (Jourdhier, 2006b).

The market knowledge and the capital are considered the three key factors of the industry of cut flowers (Maharaj et Dorren, 1995). These factors are mainly controlled by producers in the Northern hemisphere. Therefore, Southern countries must develop more competencies in order to reduce the gap in competition. While Northern countries increasingly automate and rationalise the culture cycles, Southern countries compensate their lack of knowledge and technology in terms of costs through a strategy based on costs (cheap labour, land availability, low energy costs). Moreover, Southern countries produce high volumes and improve considerably transportation, storage and packaging facilities, through the support of foreign partners (Meier, 1999).

According to Maharaj and Dorren (1995) only the flowers with high value added will remain produced in Northern countries. This is the case of the rose with large buds produced in greenhouses in the Netherlands (Ghénasia, 2005). Besides, in Southern countries producers should adopt strategies of specialisation. In this environment, Kenya, Colombia and more recently Ethiopia are the main suppliers of cut roses.

In several Southern countries the legislation is favourable to investments: acknowledge of private property and guaranties against non trade risks provided by the agencies of the World Bank, exoneration of taxes on profits during 5 first years of the project, reduced taxes over imports of raw materials (particularly plants and furniture), authorisation to transfer 100% of the profits abroad, facilities to obtain a long-term residence permit or exploitation licenses (Urban, 1998). Evans (2005) quotes the example of Ethiopia where government puts forward a policy to attract foreign investments to the industry of cut flowers. In this country the set up of a production

structure requires no more than 2 to 3 months. The company is also exonerated of all taxes during the first five years and benefit also from other facilities.

Current changes in the market puts pressure over suppliers in terms of production scale, price reduction and quality standards. Southern countries compensate the lack of knowledge and finance by developing product strategies and the organisation of supplies. Several countries also promote joint association of growers in the cut flowers industry (Silvis and Bont, 2005). Joint associations allow producers to adjust the demand of distribution channels. According to Silvis and Bont (2005), the activities developed by these associations have the following goals: the increase of production scale, the reduction of costs related with certification and labels; the search for new forms of direct co-operation with retailers whose goals would be the optimisation of logistics and the establishment of packaging standards. Examples of such organisations are documented in several countries (Meier, 1999 ; Hugues, 2000 ; Ubifrance, 2007). For example, South African Protea Producers and Exporters (SAPPEX), Export Flower Growers Association of Zimbabwe (EFGAZ), Asocoflores (Colombia), Expoflores (Ecuador), Ethiopian Horticulture Producers & Exporters Association (EHPEA).

By the mid-1990s, the organisation *East African Flowers*, the main private importer of cut flowers from outside the EU decided to establish a private auction named *Tele Flower Auction (TFA)*, in the Netherlands. TFA is an initiative to promote an alternative for the trading of cut flowers. It was a reaction to the decision made by Dutch auctions to forbid the participation in flower auctions of foreign producers during summer in Europe. TFA was one of the first automated auctions, without the physical transfer of cut flowers in the auction. The transactions of TFA are structured by a computer network and buyers are chosen among the top 100 biggest wholesalers in Netherlands. Another initiative promoted by the *Container Centralen* (Danemark and The Netherlands) was the *Distributed Datanet (DD)*, a network used to share market information. Afterwards, several other parties established similar systems, including the electronic system *FlorEcom*, in The Netherlands.

The supply is increasingly structured through the establishment of new auction markets in developing and emerging countries. For example, China has the Kunming International Flora

Auction that includes 400 members with a market volume accounting for more than 500 000 stems/day. There is a standard for packaging and marketing strategies (Witmer, 2003). In Brazil, there is an identical structure was established - Veiling Holambra - in the state of São Paulo.

5. GOVERNANCE OF THE VALUE CHAIN FOR CUT FLOWERS IN FRANCE

The increasing number and concentration of large retailers in the trade of cut flowers engenders changes in the dynamics of trade of cut flowers in Europe and has an impact over the imports. One of the trends consists in the purchase of flowers directly from growers. According to Widehem and Cadic (2006) the phenomenon of concentration in retailing led to more direct relationships with the suppliers. Supermarkets coordinate the logistics and therefore ensure direct supplies from several markets and regions, suppressing the intermediaries such as the Dutch auction markets. In order to reach that level of competitiveness, growers are expected to meet the specific conditions of production (for example, EurepGap and Florimark certifications). The direct access to retailers provides a substantial market growth however requirements in terms of quality are relatively high.

France is the third biggest market of cut flowers of Europe, with an internal consumption of 1.891 €millions (2006), and accounting for approximately 13% of EU imports value. The current crisis in the French production of cut flowers led to an increased penetration of foreign products. At present, imports account for over 90% of cut flower's supply in France. Between 1997 and 2005, the French cut flowers production diminished from 13% to 9% to market share in aid of risen importations (Ubifrance, 2006). The supply with cut flowers to France is strongly concentrated in a few suppliers, whom Dutch are the most important, with a part of importation of 90%. In France, the offer group structures (cooperatives or groups) are not numerous and assure the access to the market of only about 12% of the national production of cut flowers. The remaining is commercialised by producers themselves through different distribution channels. The little and middle flower producers have some difficulties to position themselves in the market of the large retailers because the supply to purchase centres is the more and more difficult.

The florist shops dominate always the retailer distribution of cut flowers in France. Nevertheless, the parts of the other retailer channels are as well important.

Table 1– Mains retails chains of cut flowers in France, 2001-2005 (% of total sales).

	2001	2002	2003	2004	2005
Florists shops (80% traditional and 20% franchises)*	61.4	61.2	63.4	63.1	63.4
Large food retailers	16.9	15.5	16.4	16.8	14.5
Florists of street	11.1	10.5	9.5	7.9	7.5
Gardens centres	4.8	4.8	4.4	4.9	6.2
Orders (Producers, e-commerce, etc.)	5.8	7.85	6.2	7.2	6.9
Total	100	100	100	100	100

Source: VINIFLOR (French office of flowers and horticulture), 2006. * Dates from interviews from professional organisations.

The absence of dates remains difficulty to measure the share between traditional and franchises in the total sales of florists shops in France. Information from interviews with actors of professional organisations shows that despite has 3,7% of the sales points³ in France franchises represents 20% of sales. In more, all informants are unanimous about the strong growing of franchises florists in the last 5 years.

▪ **The florists shops – Main detail market chain in France**

In France, the florist shops constitute the principal distribution retailer channel of cut flowers. Nevertheless, it's necessary to underline the repartition in this category of **flower shops franchises and traditional florists**. Everyone has some distinct strategies in relation to the sales and the supplying.

³ Total of florists shops in France its 12.000 - and 11.550 are traditional and 450 franchises.

Table 2 – The main flower shops franchises in France, 2008.

Companies	Number of sales points	International Locations	Turnover (€million)
Monceau Fleurs*	157	Luxembourg, Guadeloupe, Guyana, Portugal, Japan	75
Le Jardin des Fleurs	98	Tcheq Republic, U.K, Spain, Luxembourg	60
Rapidflore	155	Belgium, Spain, Italy, Luxemburg	50
Au nom de la Rose	65	U.K., Belgium, China, Spain, Greece, Italy, Lebanon, Kuwait, Russia	n.a.
Un été à la campagne	25	-	n.a.

Source: author. * including the shops “Happy”

Flower shops franchises become more and more important in French market. Their string position is the result of the success of specific sales methods in the shops and the centralisation purchase structures. The sector is marked by the increasing of the power of organized networks of franchises, such as *Monceau Fleurs*, *Le Jardin des fleurs*, *Rapid’Flore*, etc. Consequently, **traditional florists** see a progressive diminution of their market during the last years. **Flower shops franchises** can profit of scale economies. They pay low prices for their products and share the costs for the promotion of the activities. Moreover, the customers identify their formula, which augment the levels of trust. The extension of the franchised shops parks demand some heavy investments. So, certain groups, such as Monceau Fleurs, opened their capital to the partners to obtain the necessary capitals to finance their growth. The upgrade of the franchised florists relies upon a shops network with the purchase centrals. The purchase centrals regroup the orders of shops and so optimise the logistical flows and obtain the lowest purchase prices.

- **Food retailers**

The importance of supermarkets, in the retailer level of the distribution channels of cut flowers in France, earned a lot of importance since some years. Nevertheless, the part of the market of the supermarkets is stable during the last years, after a strong boom in 1990s. In this context, the Food retailers are important in the flowers commerce notably thanks to the development of sales of standardised bouquets. Food retailers intervene in different ways in the market. Certain sale points propose some “cut flowers spaces”, where the offer can be more or less big according to

the season and the geographical implantation of shops. Food retailers profit however by an important force in terms of purchase policy and communication strategies. Their size allows them to realize large promotional operations. In the same time, Food retailers profit by consumption habits of French who buy flowers principally in reason of the convenience, that is to say, the customer can buy foods and flowers in the same moment and they don't have to visit different places. In order to offer a better counsel service de counsel to the customers, certain supermarkets have already installed a professional florist in the cut flower stores. The assortment of flowers is very limited in the supermarkets. Nevertheless, the quality and the variety of the flowers are improved considerably. Carrefour has still started to develop some florist shops in the galleries (but outside of the shops) starting from 2006 and now there are about 45 shops in France.

▪ **Other retailer circuits**

- **Garden centers:** Garden centers are particularly concentrated to the sale of external plants. Even if their part of cut flower market is already little, we can verify a growth between 2001 and 2006.
- **E-commerce:** Popularised by the flower transmission (Interflora, Florajet, EuroFlorist France, etc.), the cut flower e-commerce was risen by the boom of the electronic commerce in France. Some websites as aquarelle.com, rapidflore.com, bebloom.com, bouquetnantis.com, etc. propose a large range of products. On the other hand, in spite of the strong general growth of e-commerce (+ 53% en 2005), the flower and garden products sales represent only 1% of the electronic sales in France (Xerfi700, 2006).

4.4.1. Changes in the role of wholesalers

The wholesales are very important in the French market of cut flowers. The wholesales make the intermediation between producers and especially traditional florists. The traditional florists are the principals customers of wholesalers, thanks to the characteristics of orders (little quantity, high quality and specify of flowers). Nevertheless, sometimes the franchise flowers shops make theirs purchases with wholesalers in order to completer possible out of stock.

Generally, these wholesalers are located in the large wholesales markets. In France, there are 2 types of wholesales markets:

- MPI - (*Marché Privés Interprofessionnelles/ Private*) : Rungis, Lyon, Lille, Nice, Marseille, Nantes, Montpellier, Rouen et Toulouse.
- MIN – (*Marchés d'Intérêts Nationaux/ Public*) : Antibes, Hyères, Carpentras, Ollioules, Aquiflor et Criée d'Antibes.

The MIN of Rungis (south of Paris) is the principal market of flowers in France. This market supplies especially the Paris market and the region “*Ile de France*”. There are also two important markets in the south of France (Nice et Hyères-Ollioules).

Fieldworks shows that the wholesale trade in France is becoming more concentrated, and there is one more important participation of Dutch wholesalers. The consolidation of the wholesale trade is partly due to the emphasis on shorter chains between producers and retailers. In more, many wholesalers are establishing vertical relations with foreign producers and exporters. Their role in linking cut flower producers with retailers (notably, traditional florists) has also led to wholesalers taking on greater functions including the monitoring of quality and coordinating supply logistics.

Some Dutch wholesalers⁴ have worked in France by selling directly to traditional florists or by operations type “cash & carry”. Examples of cash and carry structures are found in several regions in France.

4. CONCLUSIONS

Below we organize the mains of French global value chain in order to show the impacts that French retailers are having on this supply channel in cut flower trade. It serves as a useful case study through which to examine the more specific ways in which retail chains are re-shaping the chain governance and strengthening own position in the chain.

⁴ Also called "Flying Dutchmen".

Table 3- Mains factors of chain governance in the French cut flowers industry

Structure input-output

Logistics	<ul style="list-style-type: none"> - Absence of a logistic hub center of cut flowers in France is an obstacle to development of the direct channels between French market and foreign suppliers. The main problems are the high costs of transport and the absence of efficient logistics; - Despite their decreasing in the trade intermediation, the role of Dutch agents in the logistics of cut flowers in the French market is always important. So, even if the trade with the producers and exporters is coordinated directly for retailers (from their purchase centers) the Dutch agents make the logistics from the large platforms (principally Aalsmeer);
Innovation / Marketing	<ul style="list-style-type: none"> - Innovation is determined in the downstream level, through the new products from Dutch Flower breeding enterprises⁵; - Principal innovation parameters demanded for costumers: vase life, biggest buds; - Need of faster changes in varieties and colours in order to achieve the variations on customers demands;
Packaging and bunch's production	<ul style="list-style-type: none"> - Tendency of vertical coordination in the services of packaging and bunch's production, coordinate for the purchase centers of food retailers and franchise flowers shops,

Geographical structure

Geographical dispersion of supplies	<ul style="list-style-type: none"> - Increasing of supplying originated from foreign production, and strong decreasing of the French production due to the high costs of production; - The Dutch share in the supplying forward French market is still very important - 90% of total cut flowers traded in France;
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Socio-institutional context

Non legislative requirements	<ul style="list-style-type: none"> - Slow increasing use of labels and certifications in the retailers channels (specially fair trade and organic labels); - Increasing requirements for traceability in the food retailers channels;
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Governance

Upgrade of vertical relations between retailers and foreign suppliers	<ul style="list-style-type: none"> - The strong upgrade of purchase centers of food retailers and franchise flowers shops in the governance of supply chain; - There is an important vertical coordination process in the downstream level - the retailers have planning and program concerning the orders of cut flowers, and so the orders are transmitted previously for the foreign suppliers. (e.g. the orders for sales campaign of tulips for the French flowers franchise in 2009 were ordered in 2007 through contracts with producers);
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⁵ Flower breeding, or "florigenetics", is used for cross-breeding flowers, introducing genes into plants to produce different colours, extending the vase life of flowers and creating new varieties.

Wholesales level	<ul style="list-style-type: none"> - The large franchise flowers shops are establishing their purchase centrals in Holland (e.g. <i>Le jardin des fleurs</i> and <i>Monceau fleurs</i> are their purchase centrals near to Aalsmeer platforms); - Decreasing number of small and middle wholesalers in France due to the high competition and decreasing of traditional florists demands; - Strong merging process and collaborative actions (specially in logistics) between wholesalers, and the formation of vertical relationships between large wholesalers and foreign producers (example : directs imports and direct investments in farms production in Africa and South America);
Share in the sales of cut flower	<ul style="list-style-type: none"> - Increasing of franchise flower shops in the sales of cut flowers in France ; - Stable participation of the food retailers;

Source: authors.

The French market of cut flowers presents important changes in the governance of value chain. The study of French market highlights evidences of these changes, especially the emergence of retail channels in the commerce of cut flowers. The organization of supply chain of these channels in purchase centers underlines two important aspects of governance: the reduction of wholesaler's roles and the need of large and specialised producers in order to meet the new retailer's demands in terms of large volumes, varieties of flowers, and regularity of supply.

In the French traditional florist's channels, flowers pass in their country of origin to an exporter and then typically sent across to one of the Dutch auctions to be sold to an importer in France. Then, the flowers are sold to a wholesaler, before eventually reaching the florists for final sale.

While most of these links are still maintained in the supply chain for flowers sold through traditional florists, French large retailers have recently begun to forge much more direct connections with foreign growers and Dutch importers. This link is coordinated from large structures of purchase called purchase centers (or "centrales d'achat"). This structure allows the retail chains to maintain control over the supply channel from a fully integrated marketing chain. Following the trends of the British and Germany cut flower retailers in the 90's years, one of the most significant ways in which French retailers are proactively changing the structure of cut flower supply chain concerns their strategic moves to fabricate fully-integrated marketing and

distribution channels. In making such strategic moves, these retailers effectively bypass the roles played by a number of previously significant agents in cut flowers trade, including importers, warehousing services and Dutch auctions.

In considering the pressures over foreign producers in order to comply with the retailers' demands, the complexity of new competences requested does not stop with the low cost production and large volumes. The implications for foreign producers concern also the need to adapt their production process to meet the new demands concerning products innovations (colours, varieties), labels and logistic structure.

GVC's notion was adapted in this study. French large retailers are indeed acknowledged as a powerful set of buyers exerting control over the cut flower chain. And this is the way in which they manipulate complex networks of consumers, support agents (logistic, design, package, etc.) and producers. This allows them effectively this control.

The complexity and the new changes in the Europe trade of ornamental products justify more research on marketing channels, particularly on those related to developing countries. Moreover, a lot of research is requested, especially concerning the upgrade of developing countries in the developed markets in order to allow the sustainable access for smalls and middle producers and avoid their exclusion to the international trade of cut flowers.

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