

## Flower Power

***Organic Bouquet uses the web to cultivate a national market for its niche product***

By Paul Demery

As 67 mayors from around the world walked out of a United Nations World Environment Day forum in San Francisco last June, they were greeted by a 300-person chorus singing a theme song—"United Nations, Together We Can"—created especially for their forum. The forum itself was generated within the halls of the U.N. amid global concerns about ecology, but the choir and the song were compliments of a startup online organic flower retailer, Organic Bouquet Inc.

"The U.N. had nicknamed the June 5th event Flower Power Day," says Organic Bouquet founder and CEO Gerald Prolman. "When I heard that, I realized we had to become involved." In addition to sponsoring the choir, Organic Bouquet had commissioned Grammy-winning gospel singer Edwin Hawkins to write the song, then flew him and a dozen other singers to San Francisco to join the choir.

### On a mission

Prolman is a man on a mission. With a background in agribusiness, marketing and entertainment—and an eye for the business potential of organic products—he's spent the last several years using the selling power of the Internet combined with public concerns about environmental, social and health issues to develop a national market—both supply and demand—for organically grown fresh-cut flowers and OrganicBouquet.com.

Taking a multi-pronged approach toward business development, Prolman has cajoled growers and certification bodies to expand the supply of certified organic flowers,

sparked the demand side with wholesale deliveries to national chains like Whole Foods, and persuaded more than a dozen charitable organizations, including Amnesty International and the global health care organization Project HOPE, to list Organic Bouquet on their web sites as a preferred flower supplier that contributes about 15% of every sale to the charity at hand.

Although it got off to a slow start in terms of sales, Organic Bouquet expects to do about \$6 million in sales this year, up from \$2.5 million last year, then hit \$100 million by 2010, mostly in business-to-consumer sales, Prolman says. By comparison, the company's competitors include such retailers as 1-800-Flowers.com Inc., which sells \$300 million a year in flowers and gifts and ranks No. 30 in the Internet Retailer Top 400 Guide to Retail Web Sites, and Provide Commerce Inc., No. 59 in the Guide, which sells \$150 million a year, mostly in flowers, at Proflowers.com. Organic Bouquet's sales wouldn't get the company into the Top 400.

### No daily tradition

Expecting that kind of fast growth is a huge challenge for any type of retailer, but especially for flower peddlers in the U.S., where consumers don't buy flowers frequently, says Keven Wilder, owner of Chicago-based Wilder Inc., a consulting firm that specializes in working with start-up e-retailers. "It's very difficult for flower retailers in the U.S., where we don't have the customs of other countries like in Europe, where people buy flowers every day," she says, noting that most large flower retailers have branched out with aggressive lines of non-floral gifts. "Americans figure flowers will go bad in a few days, so why spend the money."

And that's not to mention the challenges of selling organically grown flowers. Organic Bouquet, Wilder adds, is making a big assumption that consumers who buy organic food will also buy organic flowers. Consumers will buy organic foods, which are produced under methods that don't rely on chemical treatments often used in

conventional farming, mostly because they believe organic foods are more healthful—an attribute that can't extend to flowers, she says. "Organic is important in food, but it won't be important in flowers unless they can show the benefit to consumers," she says.

#### Staying focused

Prolman, however, says his flower business is just beginning to bloom after years of establishing a market, with a current \$5 million round of financial backing led by Boston-based CP Baker. Although Organic Bouquet already offers some organic chocolates and may eventually branch out into other products, he says, it still needs to shore up its reputation as the provider of organic flowers. "Right now it's important that we remain focused on flowers, to be known for 'eco' flowers," Prolman says.

Prolman is counting on the power of the Internet to aggregate splintered demand. Although he had had no e-commerce experience, he saw the web in 2001 as the central tool for creating both demand and distribution of organic flowers. The web lent itself to that market because, for one thing, there were only a few small growers of organic flowers at the time, not nearly enough to support a national market. He believed he could use the Internet to develop a direct-to-consumer business model that would support large-scale organic flower production. "I thought if you could bring the farm directly to consumers, there was a lot of margin in the middle that could be saved," Prolman says. "We could afford to pay farmers a premium to grow flowers through organic methods, and still offer value to consumers."

The need to combine nationwide demand into one point is underscored by the fact that by any measure, interest in organic flowers is minuscule, amounting to barely \$8 million in 2003, according to the Organic Trade Association. Meanwhile, consumers spend \$20 billion a year on retail fresh flowers. The Organic Trade Association expects annual growth of organic flowers of 13% through 2008.

Prolman argues, however, that those numbers belie the true potential of the market, pointing out the supposed 63 million consumers who make up the so-called "LOHAS market," or people who purchase products designed for "lifestyles of health and sustainability." The market amounts to about \$230 billion a year for products and services ranging from organic foods and yoga classes to fuel-efficient cars and recycled blue jeans, and Prolman expects to expand it by turning more of the U.S. retail flower market into organic sales. "Nobody has been talking to LOHAS consumers about environmentally friendly flowers," he says, "so my objective has been to find a cost-efficient way to reach them. That's why I started OrganicBouquet.com."

#### The organic background

Prolman's experience with organic products took root more than 20 years ago, when as a chef in training he developed an interest in food ingredients and then an expertise in organically grown products. By 1989, he had co-founded Made In Nature Inc., an organic food development and marketing company that introduced organic fruits and vegetables to retail food chains.

Prolman also helped to kick-start the production of organic produce by Dole Food Co. and other suppliers by proving the economics of it among small farmers and expanding to larger operations, as demand grew among supermarket chains. He sold Made In Nature to Dole in 1994, and bought it back two years later, restructuring it as a provider of packaged organic foods. Prolman eventually sold Made In Nature to another food-packaging company, then left the food business to spend the next three years running Sparrow Productions Inc. and RB Records, the entertainment and music label companies that managed the concerts and recordings of his wife, jazz singer Raquel Bitton, whose work has included six albums and performances at Carnegie Hall in New York.

#### Kick-starting demand

While in the entertainment business, Prolman continued to consult on the side for

organic products businesses. But as organic foods were growing in popularity, he noticed that flowers were being left out. "I realized that flowers had been completely overlooked by the natural products industry," he says. At the same time, he adds, he was watching the development of the Internet, and figured that the web and the organic flower business would make a good match.

But while the business model seemed to make sense, Organic Bouquet still had to take several steps to kick-start both supply and demand. And to legitimately sell organically grown flowers, Prolman also needed the support of a government and industry-sanctioned system equipped to certify flowers as organic. But since this was in 2001, on the downside of the Internet investment boom and bust cycle, he had little outside financial help in getting started. "There was no apparent demand, and nobody wanted to talk about funding an Internet business in 2001," he says, adding that he got by in the early years with "Band-Aid" financing. "It was difficult to instantly develop an Internet business and build clientele; we had to develop supply first."

One of Prolman's first steps was to call on his old contacts in the natural foods business, at retailers like Whole Foods and Trader Joe's, to build a traditional offline wholesale business to generate cash flow and create more demand for growers. "They knew the organic market, so Whole Foods and Trader Joe's grabbed onto it right away," he says.

With wholesale customers lined up, Prolman was able to persuade more growers to produce organic flowers and on a larger scale, while he also worked with Scientific Certification Systems, an organization sanctioned by the U.S. Department of Agriculture, to develop a new Veriflora organic certification program for fresh-cut flowers. "SCS had a program for Starbucks coffee growers, so I asked them to develop a standard for the fresh-cut flower industry," Prolman says.

Organic Bouquet now sells flowers from certified organic growers in five countries in addition to the U.S. With the supply side

growing, Prolman figures Organic Bouquet is also on the verge of a spike in demand.

U.S. growers fulfill orders directly to consumers. Foreign growers ship their flowers to Miami, where they are re-packaged for consumer delivery by a staff of three full-time Organic Bouquet employees assisted by a fluctuating team of temporary workers.

53% open rate

By 2004, his business had matured enough to attract \$2.8 million in financing from CP Baker, which also provided its in-house Boxing Frogs IT team to upgrade the Organic Bouquet site with better shopping features and marketing tools.

Claudio Miranda, an online veteran from e-marketing firm NewGate Internet Inc., joined Organic Bouquet that year as vice president of e-commerce and implemented a broader marketing strategy. Among other things, he has developed e-mail marketing programs that generate above-average open rates—they hit 53% during the recent holiday season, Miranda says—using a Responsys Inc. e-mail management system and a combination of in-house and DeepMetric Corp. web analytics.

In addition to testing the dynamics of marketing campaigns to produce the most effective marketing messages and landing pages, Organic Bouquet this quarter will boost to 10 million the number of opt-in e-mails going to consumers who belong to social and environmental awareness groups. Last year, the retailer appointed Kristy Walker to the new position of vice president of cause marketing, working with these groups to coordinate marketing programs and develop special flower arrangements for their members.

"Both Amnesty International USA and Organic Bouquet share the goal of improving the lives of and securing justice for people throughout the world," William F. Schulz, executive director of Amnesty International USA, said when Amnesty formed its affiliate relationship with Organic Bouquet last fall. "The life-affirming beauty

of flowers is a powerful symbol of hope, just as Amnesty International's candle is a shining beacon for so many whose human rights are threatened."

Prolman is counting on that kind of support from—and constant communications with—a growing number of organizations. "We've signed deals with dozens of large and small non-profits, collectively representing 10 million unique e-mail addresses we'll reach every month," he says. "We're finding that it's about repetitive marketing, and with the Internet we can be first and foremost in front of consumers when they need to make a floral purchase. This is how we can compete with 1-800-Flowers."

#### Broader appeal

But Prolman and company are also working on ways to appeal to even broader audiences, including consumers who may not be initially attracted to the organic movement. Organic Bouquet is marketing a special line of roses associated with celebrities, including Paul McCartney, Tony Bennett and Merv Griffin, and their preferred charities. A purchase of the Merv Griffin Rose, for instance, will include a donation by Organic Bouquet to the Young Musicians Association.

Despite all the donations Organic Bouquet makes under its business model, Prolman says he expects it to be profitable next year. Meantime, with a boost in financial backing over the last two years from CP Baker, he hopes to continue his unusual and aggressive promotions—including a follow-up this year to his sponsorship of the U.N. choir on World Environment Day, only this time in Africa—while expanding his horizons in more ways than one.

Prolman says he's planning to increase web sales in the corporate gift market and put his wholesale business online this year. "As time goes on, we have plans to become more of an eco lifestyle company," he says.

[paul@verticalwebmedia.com](mailto:paul@verticalwebmedia.com)