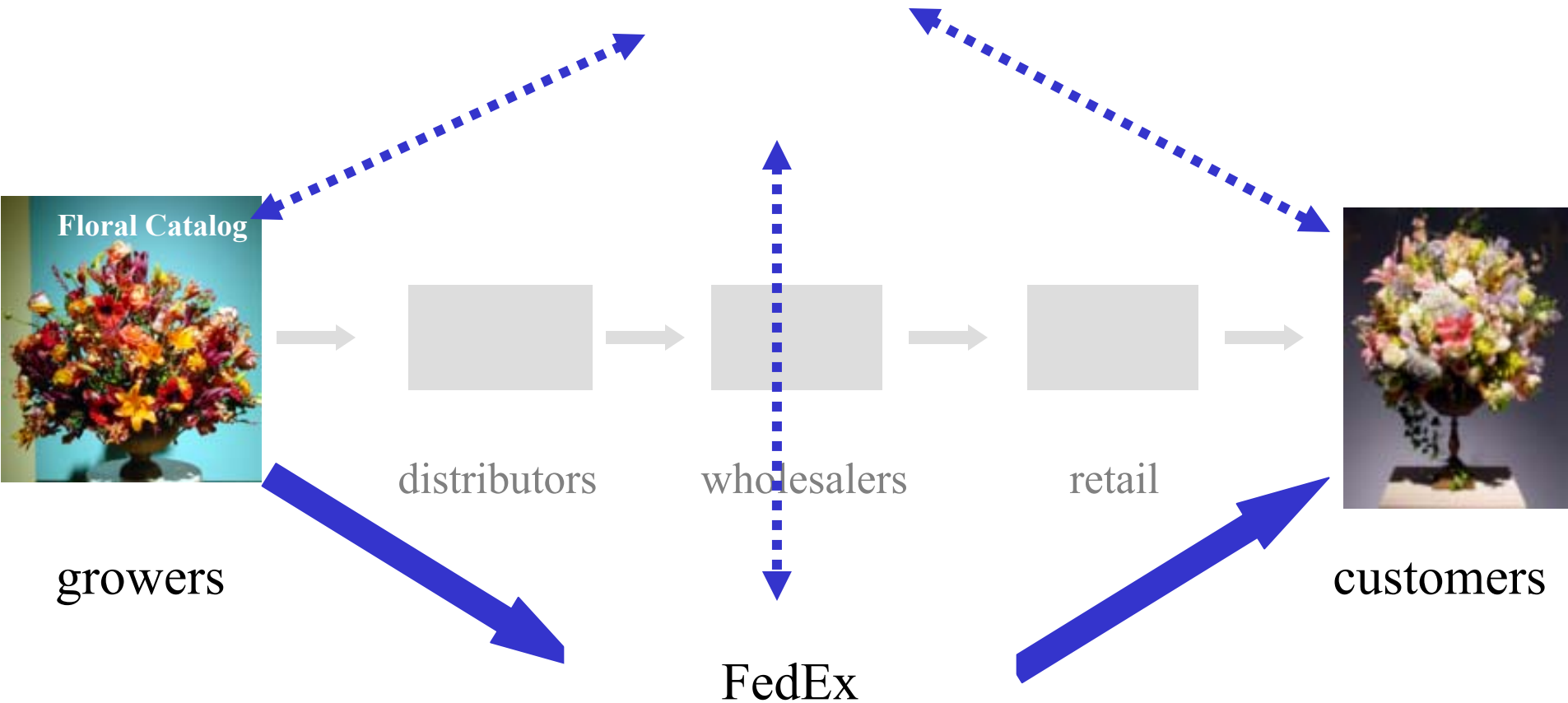
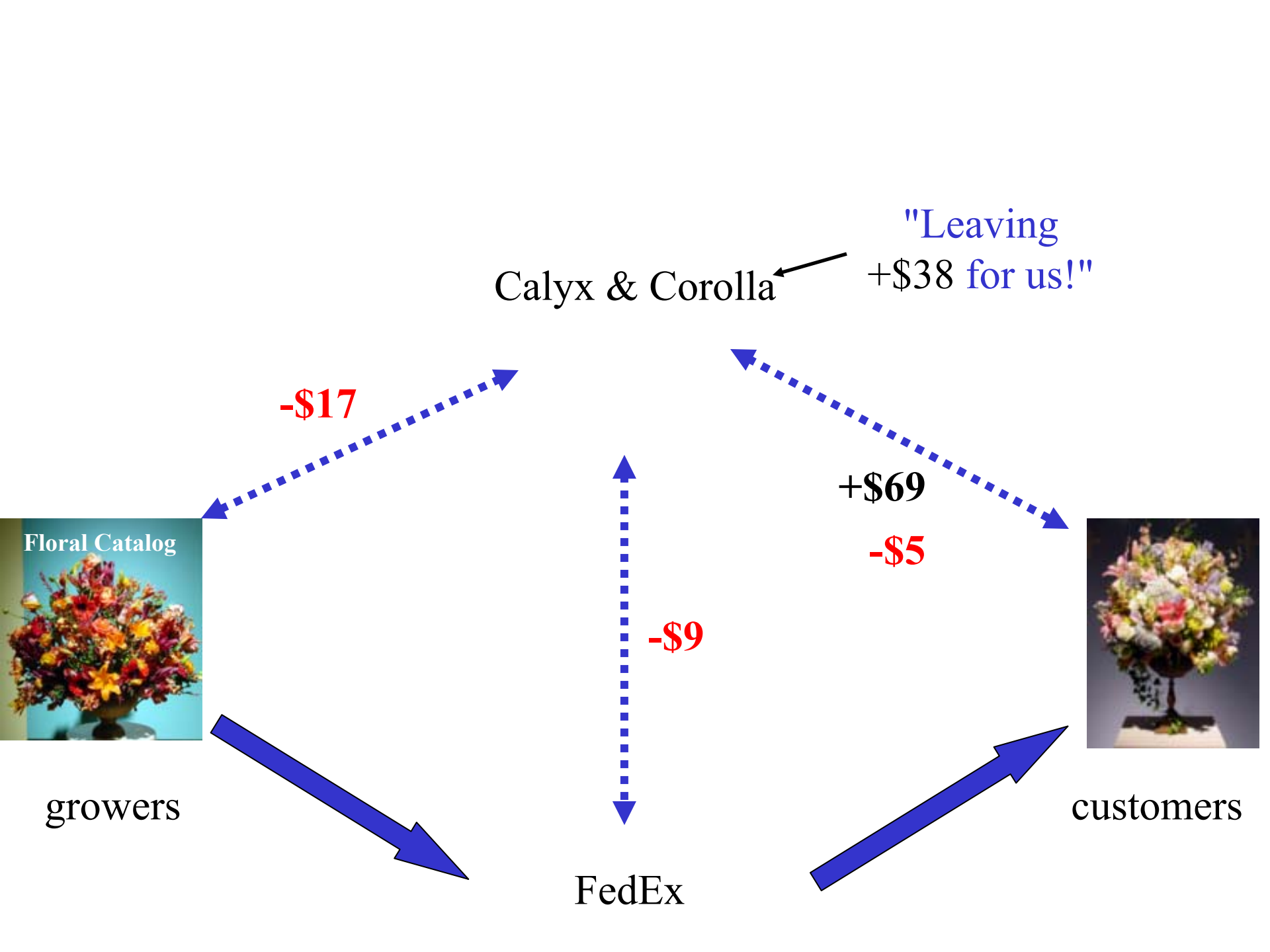


traditional floral business model

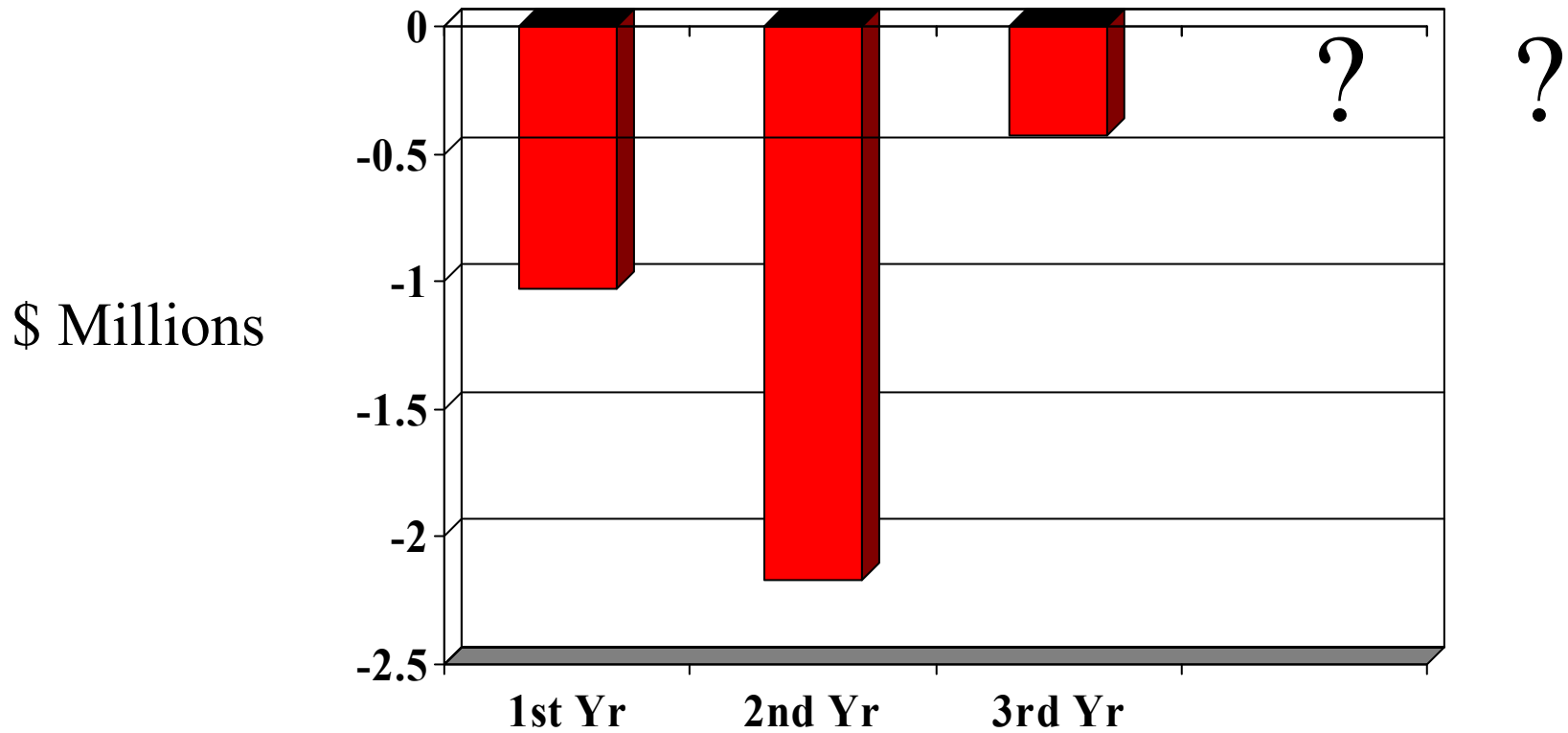


Calyx & Corolla



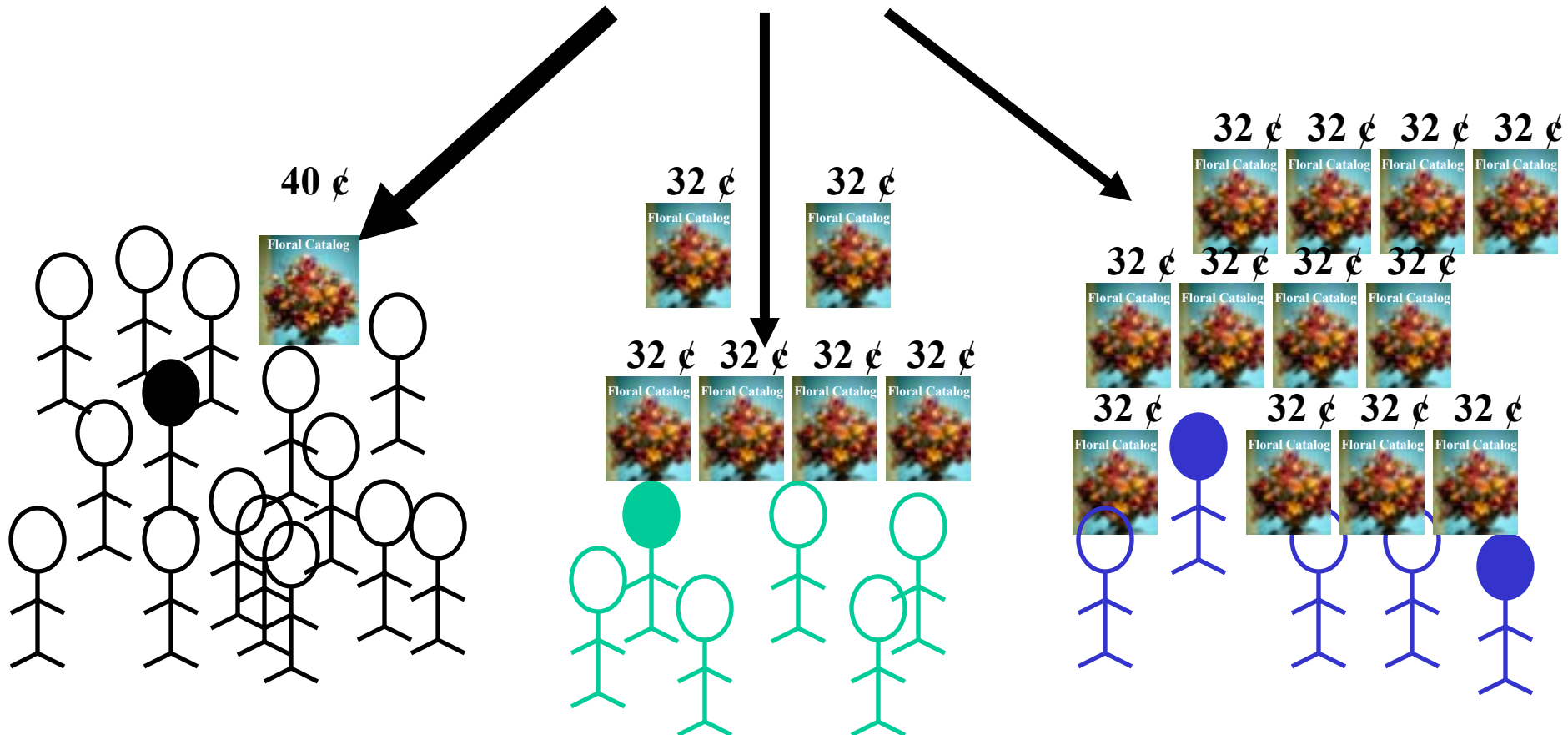


Why are they losing money every year?



How costly is it to attract customers?

Calyx & Corolla



How well do the catalogs work?

- What % of sales from catalog?
- How many catalog sales is this?
- How many sales from previous customers?
- How many from first time customers?
- How many catalogs were sent out to these first timers?
- What is the response rate?

Is a response rate of 0.004 sufficiently high to justify sending out the catalogs?

Expected profit per Catalog = Cost of catalog

RR* [\$69 - (\$17+\$9+\$5)] = 0.36

RR* [\$38] = 0.36

RR* = **0.01**

What was the cost of getting 45,000 new orders?

3 Million * 32 cents = \$0.96 Million

7.9 Million * 40 cents = \$3.16 Million

\$4.1 Million

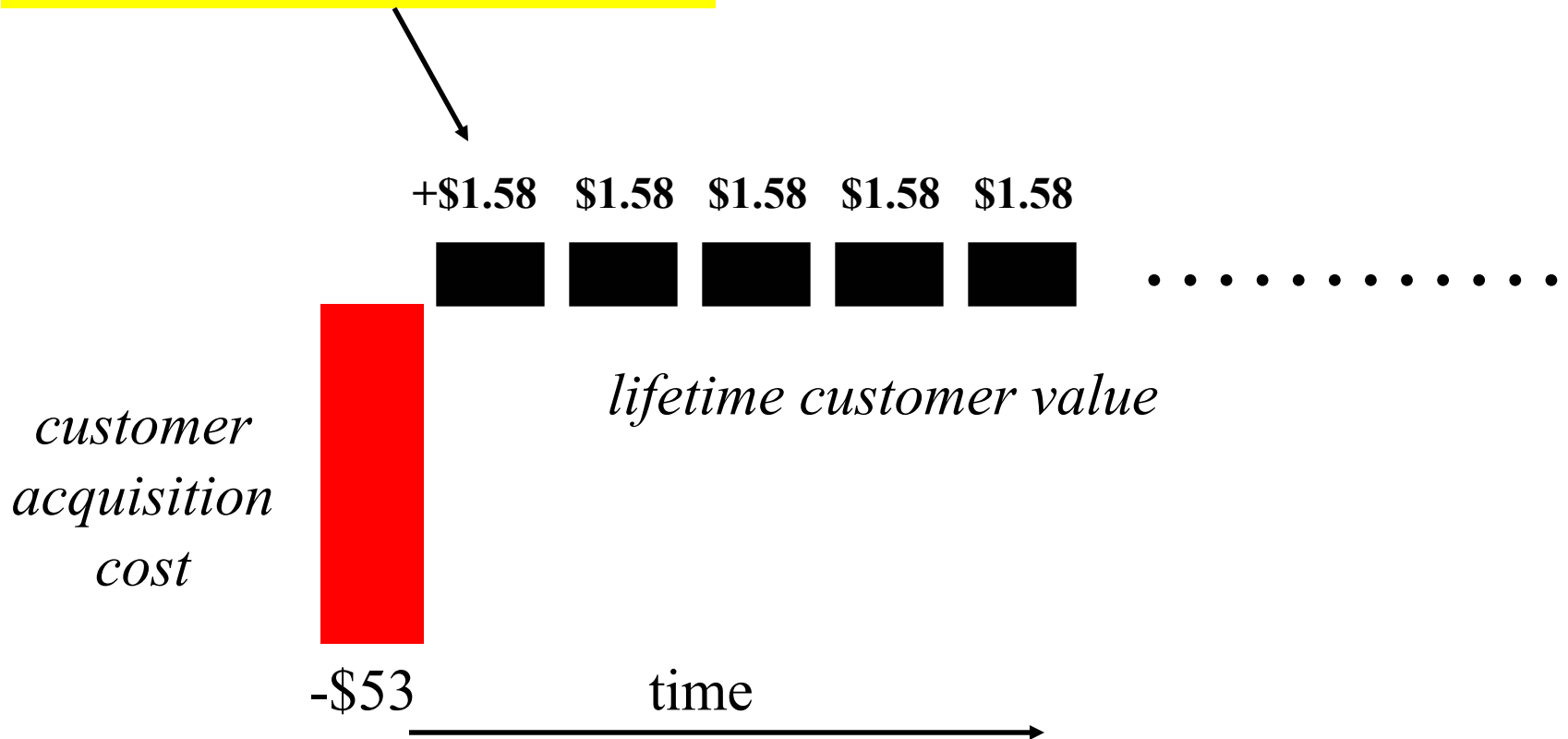
4.1 Million / 45,000 = \$91 per customer!

Average profit per order = \$38

Losing \$53 per customer?

Is *lifetime customer value* > *customer acquisition cost*?

$$(0.05 * \$38) - \$0.32 = \$1.58$$



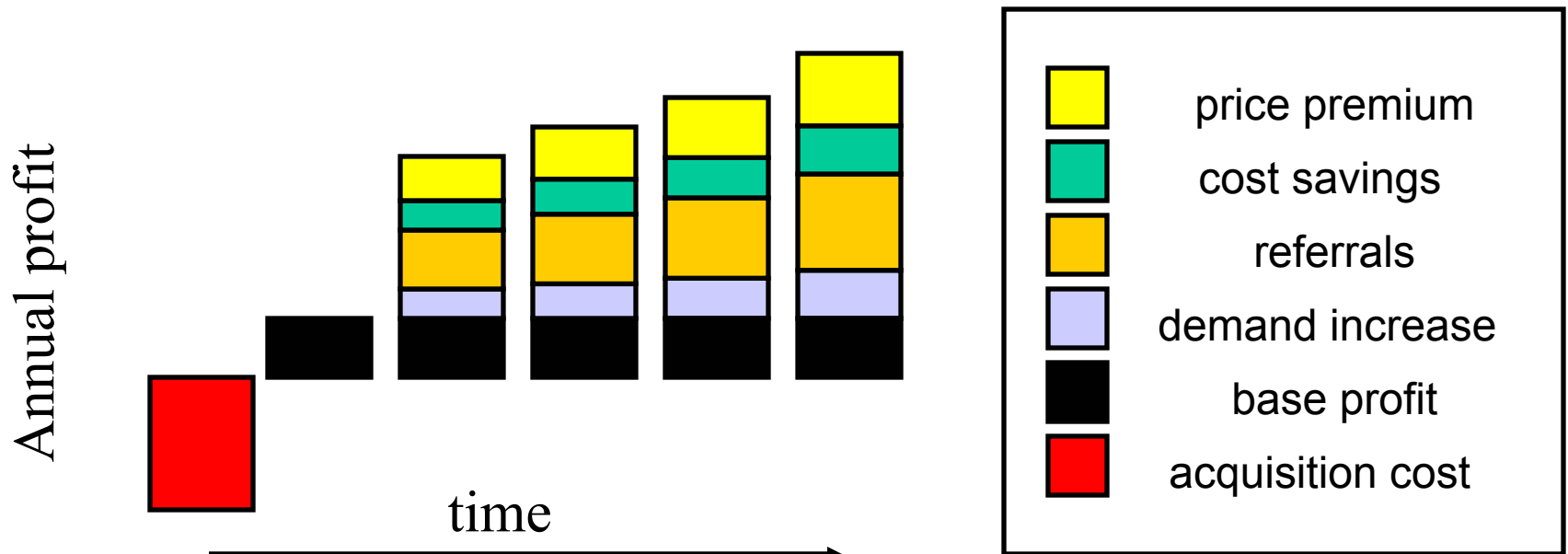
Past advertising starting to pay off?

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>????
Sales	+756	+4,018	+10,259	
Advertising Costs	-1,223	-4,466	-7,021	
return for every \$1	0.61	0.90	1.46☺

lifetime customer value

“*present value of a stream of revenue a customer produces*”

- focus on long-term *relationship*, not a single *transaction*



CC's opportunities & threats

1. Should Calyx & Corolla grow rapidly or slowly?
 2. Increase Primary as well as Secondary Demand?
 3. How can they reduce customer acquisition costs?
 4. How can they increase customer lifetime value?
 5. Is their target market too small?
- **The last time you bought flowers, where did you buy them, and why did you buy them?**

Willingness to Assemble

Low

High

Low

Funerals

Supermarkets

**Demand for
Freshness**

High

Florists

C & C

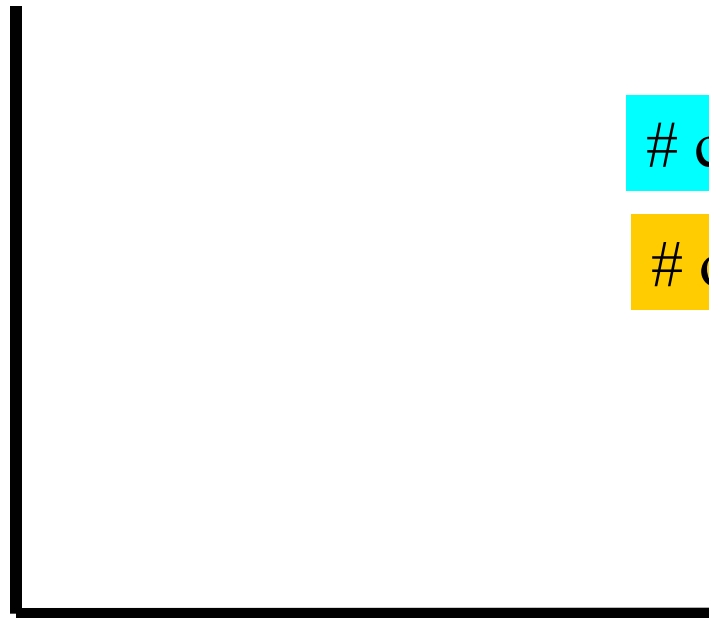
		Low	High
Low	Funerals		Supermarkets
High	Florists		C & C

Flower Market Segments

PRODUCT ATTRIBUTES	Personal	Gift	Events (Wedding; Funerals)	Corporate
fresh				
unarranged				
floral variety				
information				
No Sun/Hol delivery				
come in Fed Ex box				

How frequently should catalogs be sent? And to whom?

➤ What functions does the catalog serve?



catalogs sent per year

orders made per year