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Abstract:

The world floriculture industry is very competitive. As per ASSOCHAM the Global floriculture industry is likely to cross Rs 9 lakh crore mark by 2015 from the current level of about Rs 6 lakh crore and is growing at a compounded annual growth rate (CAGR) of 15%. The world production of floriculture is growing at an average rate of 10 percent per year. There are currently, over 50 countries that are active in floriculture production on a large scale. In terms of production value, the Netherlands, the United States, Japan, Italy, Germany and Canada are the largest producers of cut flowers and plants.

Floriculture has been identified as a thrust export sector in India in the post-liberalization era. The global markets offer a vast potential and advantages for India. However, India’s share in the international markets for floricultural products is still negligible at less than one percent. India’s floriculture industry is growing at a compounded annual growth rate of about 30%. Currently, the floriculture industry in India is poised at about Rs 3,700 crore with a share of a meagre 0.61 per cent in the global floriculture industry which is likely to reach 0.89 per cent by 2015. (ASSOCHAM) Rose is the principal cut flower grown all over the country. Indian farmers grow more than 60 varieties against 168 rose varieties that are grown across the world. Other most important cut flower crops in the country are Gladiolus, Tuberose, Asters, Gerbera, Carnation, Anthurium, Lilium, and Orchid.

The worldwide floriculture sector is competitive. Barriers to both entering and exiting the sector are low. The costs of switching between suppliers or buyers and between flower varieties are also low. The flower production in most developing countries is destined for developed countries: the domestic market in developing countries is negligible. The sustainability of the industry is therefore determined by the competitive advantages and the strategic behavior. Porter’s approach is well suited to analyze the competitive advantages. it is very clear that an industry will be excluded from international chains if the capabilities in the supply bases are insufficient to meet the international demand standards – which include a competitive price. Theories on how to derive a strategic scope and how to derive a strategic advantage are also available. However, the question is: will any competitive advantage be sustainable?
The objective of this study is to find out whether Indian floriculture industry is sustainable and can it compete in the international markets. The main aim of the research is to evaluate and propose strategies for sustainability of floriculture sector in Pune. Market growth and competitive advantage will be used as indicators for sustainability.

This research has used PESTLE, Porters Five force model and SWOT framework to analyze and study the external and internal environment. Porters generic strategies is used to to suggest the strategies for further growth and to achieve sustainability. Dunning’s OLI theory and Roots entry mode decision framework are used to understand the internationalization of the respondent firms.

Labour dogs and rising input costs, high fuel and freight costs apart from sky-rocketing prices of fertilizers tough competition from major rose producing countries like Israel, Kenya and Ethiopia are constantly hurting the margins of the domestic rose industry. Increasing costs for environmental management in greenhouses and growing concern for the carbon footprint necessitate adoption of sound, socially relevant and environment-friendly production practices.

The hypotheses are empirically examined through a survey of 37 floriculture firms in Pune which was administered through personal interview with CEOs/presidents or top level management executives of the firms. On the basis of the research and after integrating all the multi theoretical analysis analysis it is concluded that floriculture industry in Pune is sustainable, has significant competitive advantage and there is high growth in the market. Although the potentially lucrative nature of the floriculture industry has long been beyond dispute, its vulnerability to circumstance is notorious. Based around the sale of a non-staple, perishable agricultural good, bad weather, delays in transportation or dissipating demand for luxury items in market destinations can quickly throw the industry into turmoil.

It is observed that currently the floriculture firms in Pune are following the strategy of low cost leadership. The floriculture firms in Pune are using export as the mode of entry for internationalization. This is international entry mode can be characterized as a low cost and low control entry mode. The respondents are using using both direct and indirect export modes. The floriculture firms in Pune are heavily dependent on the Auction route for exports and are mainly producing only roses. Thus to be sustainable in future and in the long term
new strategies need to be followed by the floriculture firms. Hence it is suggested that along with low cost leadership the floriculture firms in Pune must adopt the strategy of “Differentiation”.

The prospects of the global floriculture industry are promising but prices will remain volatile. There is need to shift more attention to consumption oriented approaches. Quality, cost and diversity of products will be determinants for survival in the industry. Consumer demand for fair traded flowers shall take a front stage. Good production practices, competitive advantages and strategic behavior will determine the sustainability of the industry. Modern distribution will dominate the market with new business drivers. Different product concepts and positioning (flowers and plants arrangements) that will satisfy the increasing consumer demand for variation in personal gifts and taste will account for a significant percentage of the turnover of the flower market. Flower industry should be to develop its home market, improve the existing varieties through research, address the issue of the environment, be innovative and become a self-bearing industry and develop sustainable production and delivery systems.

It is suggested that the floriculture firms in Pune must increase their degree of Internationalization and adopt higher control entry modes. Following the differentiation strategy of can be done by moving up the value chain and internationalize more by getting into contract farming, technological licensing, joint ventures and forging direct export marketing relations with the buyers. The technological licensing and JV’s will help the firms in getting access to new variety of flowers and helping in increasing their product portfolio. Firms will have to tailor their operations to sell directly to retail outlets and supermarkets in the importing countries by offering value-added production and supply-chain management to the retail outlets and supermarkets. This can be achieved through vertical integration downstream into freight forwarding, clearance and sales agency, which which will allow producers to control the distribution and marketing process more effectively thereby increasing their profit margins. The firms should develop abilities to produce variety of flowers of high quality. It is recommended that the firms should get international certifications, expand, increase their adoption of new technologies and IT, and focus on R&D and human resource development. The firms should follow a consortium approach.
It is recommended and suggested that the Government should focus on developing infrastructure, integrated cold chain, reduce freight cost and tariff and non tariff barriers, reduce taxes on import of raw material for this sector, offer affordable credit, finance and insurance schemes to further develop this sector. It is necessary to emphasize that cooperation and commitment, in terms of education, research, funding, and communication is requisite in order for the flower industry to succeed in the highly competitive and volatile global markets.

Given the intrinsically natural comparative advantages India can be at the forefront of cut flowers industry in the world provided farmers/growers are facilitated access to advanced technologies, well-developed infrastructure and innovative environment. Floriculture may be one of the most successful components of diversified horticultural industry.

The multi-theoretical model presented can act as guideline for managers in the Floriculture industry to aid them to select appropriate strategy and select the right international market entry choices.

**Keywords:** India, Pune, international market entry, entry mode, internationalization, floriculture, cut flowers, Dunning’s eclectic theory, SWOT, PESTLE, Porter’s five force model, Porters generic strategies