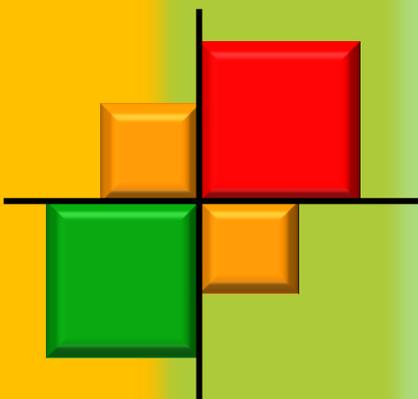


**ENVIRONMENTAL
SCAN
2015**

Floristry



OVERVIEW OF INDUSTRY

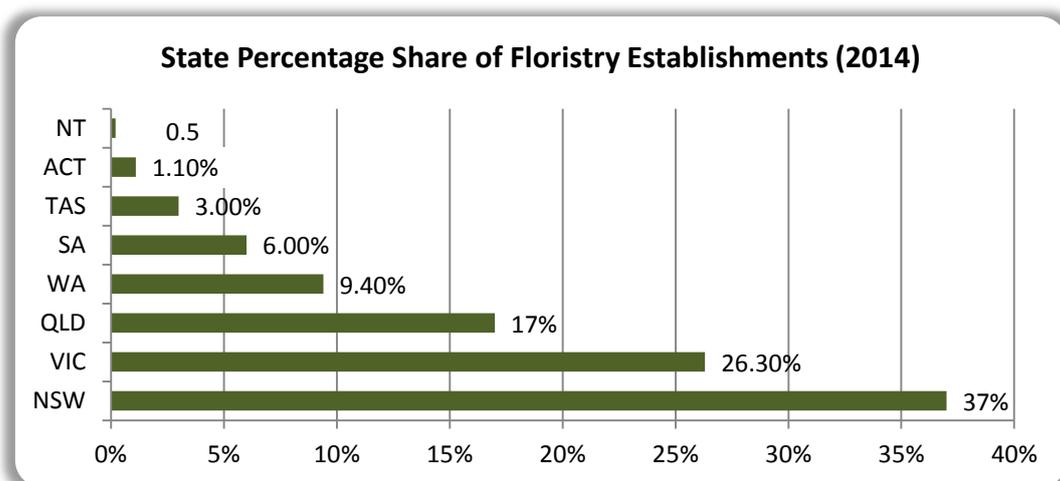
The Floristry Industry is captured in the Australian and New Zealand Standard Industrial Classification (ANZSIC) under Group 42, “Other Store Based Retailing” in class 4274 “Pharmaceutical and Other Store Based Retailing”.

The Floristry Sector is mainly engaged in the retailing, creation and designing of flower and foliage products. Businesses in this industry purchase flowers from growers, arrange them and sell them directly to consumers. Many businesses are owner operated and the majority of owners are “hands on”.

Florists prepare floral arrangements such as bouquets, sprays, wreaths or vases of flowers. They also organise the storage, sale and delivery of floral arrangements. Working in floristry requires a combination of creative and design skills, knowledge of flowers and plants, customer service skills and general retailing skills.

IBISWorld estimates that specialized flower retailers generate just under half the total retail value of cut flowers, both arranged and un-arranged, totaling \$728.2 million in 2014-15.¹

The following is a chart showing the percentage of establishments in each State and Territory.²



The Floristry Industry is a low concentration industry dominated by small individual businesses, with 95 percent of businesses employing less than 20 employees.

Trends Analysis

There is a lack of recognition of the significant contribution that the retail, wholesale and floristry sectors bring to the Australian economy. Businesses and employees in these industries bear the consequence of a broad misconception that their industries comprise low-skilled workers with a lesser need for support and resourcing to develop skills. Consequences may be seen to include poor funding support, lack of recognition of careers in the Industry, and ongoing issues in the quality of training and assessment delivered by some providers.

Over the last five years, there has been a trend toward declining numbers of floristry establishments, with an average annual decrease of 1.4 percent. There is increased competition between traditional florists, ‘order gatherers’ (like Interflora), online florists,

studio or boutique florists, local markets and supermarkets. Flower arranging, design and construction skills are the key point of difference relied on by florists. Competition comes not just from other businesses selling flowers, however. The high cost of flowers has put them in a price bracket where they face competition from other industries. Red roses for Valentine's Day, for instance, now compete with romantic getaways from the tourism industry. Florists are responding by broadening their product offerings to include things like chocolates, hampers and soft toys.³

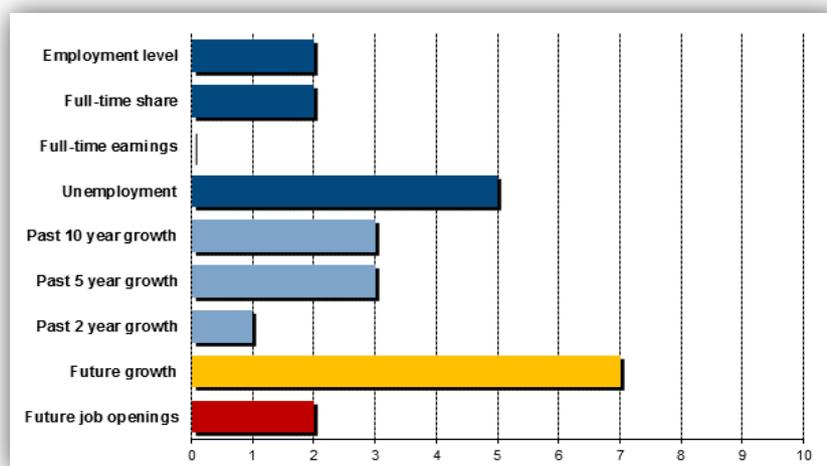
Only half of the cut flowers retailed in Australia are sold by the Flower Retailing industry. The other half are sold by other retailers, such as supermarkets, online-only stores, greengrocers and convenience stores. IBISWorld estimates that specialised flower retailers generate just under half the total retail value of cut flowers, both arranged and unarranged, reaching \$728.2 million in 2014-15.

As at November 2013, it was estimated that there were 4,700 Florists in Australia and the median age was 38 years. Ninety-one per cent of florists were female and only 44.4% of all workers were employed full-time.⁴

Driven by changes in consumer trends and the demographics of the Australian and international population, the nature of the industry is changing. The complexity of the businesses, organisations and workforce that make up the industries needs to be understood by skill markets and policy makers to avoid a 'one size fits all' response to productivity and participation outcomes.

- Employment for Florists to November 2018 is expected to grow strongly. Employment in this small occupation (4,700 in November 2013) fell slightly in the past five years and in the long-term (ten years), although with small occupations employment estimates can fluctuate.
- Florists have a relatively low proportion of full-time jobs (45.6%). For Florists working full-time, average weekly hours are 47.1 (compared to 41.1 for all occupations) and earnings are low - in the first decile. Unemployment for Florists is average.
- Florists are nearly all employed in Retail Trade.
- Over the five years to November 2018, the number of job openings for Florists is expected to be low (equal to or less than 5,000). Job openings can arise from employment growth and people leaving this occupation.⁵

Key Indicators



The above graph shows 9 key indicators for this occupation - employment size, full-time share of employment, earnings, unemployment, historical employment growth (long-term, medium term and short-term), future employment growth, mix of industries and job openings.⁶

The graph indicates the following significant changes in Floristry from 2012 to 2013:

- Full-time share has increased by 1 decile point
- Unemployment has declined by 3 decile points
- The 10 year growth cycle has decline by 1 decile point
- The 2 year growth cycle has declined by 7 decile points

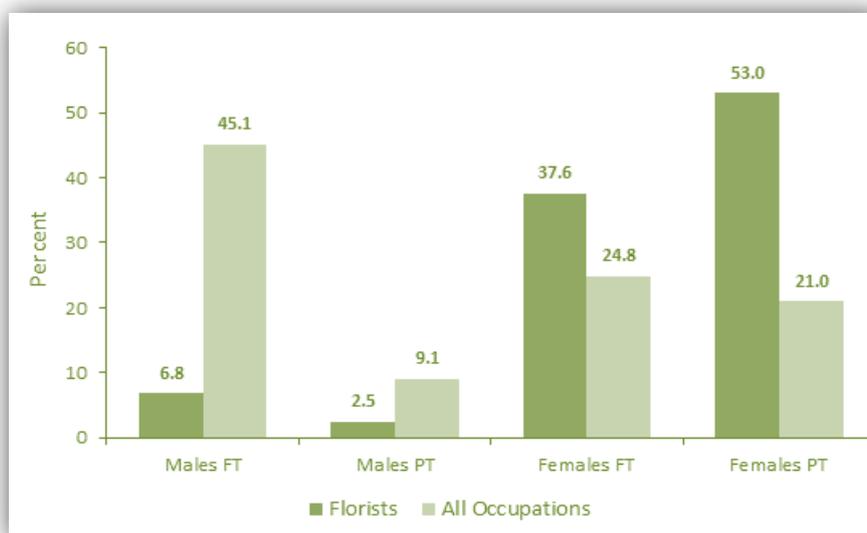
Regulatory Requirements

Over recent years, much of the key legislation that is relevant to the retail industry has been reformed or amended. Most recently, this includes Workplace Health and Safety and Australian Consumer Law, but also includes reform to legislation around industrial relations, food safety, trading hours and taxation. Knowledge of these areas, and developments in them, are crucial for businesses in order to remain compliant. Some stakeholders have indicated concern as to how the training system can keep pace with these changes as they occur.

There are no major regulations that directly affect this industry.

Demographics of Workforce

Gender (per cent share)

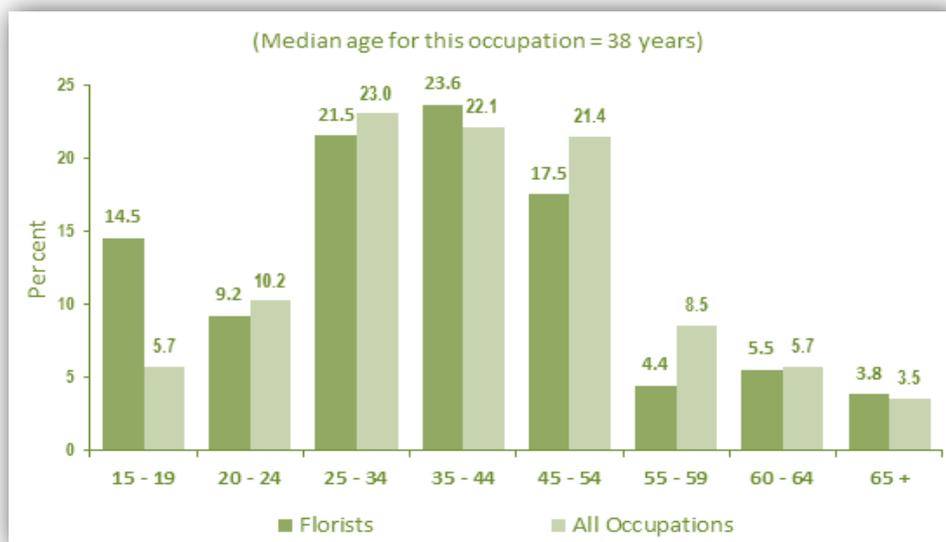


The graph shows the share of employment (per cent) for males and females, employed full and part-time, compared with all occupations. Source: ABS Labour Force Survey, annual average 2013.⁷

The graph indicates significant changes in the share of employment for males and females between 2012 and 2013:

- Full time females has increased from 33.7% to 37.6%
- Part time females has declined from 57.1% to 53.0%
- Part time males has increased from 1.4% to 2.5%

Age Profile (per cent share)



The graph shows the share of employment (per cent) by age group for this occupation, compared with all occupations. Source: ABS Labour Force Survey, annual average 2013.⁸

The graph indicates significant changes in age group from 2012 and 2013 for Florists as follows:

- Florists aged between 15–19 years increased from 7.7% to 14.5%
- Florists aged between 20-24 years increased from 2.4% to 9.2%
- Florists aged between 55-59 years have declined from 10.8% to 4.4%
- Florists aged between 60-64 years have declined from 10.2% to 5.5%

Impact of globalization

The Internet has had a significant impact on the way traditional Florists conduct their business. More and more florists are including online services as a normal business tool. However there has been a marked shift to orders being placed with offshore companies linking back to local Florists. The downside with this type of business is that the contracted florist receives only 50% of the total order. For example if an arrangement is \$100, the florist only receives \$50 to supply, design, make and deliver the arrangement. As a result, the quality of the purchase can be inconsistent.

Impact of Government Policy/Decisions

Increased rent and electricity and water charges along with rising costs from growers are being passed on to florists. This in turn is having a detrimental effect on the industry.

The removal of the Federal Government employer incentives for Certificate II level traineeships has shown a marked decline in numbers while the numbers in training in Certificates III and IV are not showing an increase to compensate for this decline. The requirements of industry appear to have been overlooked with policy decisions being made without consultation with industry and the potential workers it most affects.

The Retail and Personal Services Training Council of Western Australia, undertook a survey in late 2013 to establish reasons for the decrease in uptake of Certificate II, III and IV within its respective industries. The report on the results collated found that commencements in Certificate III in Retail Operations declined from 1,330 in 2011 to 780 in 2013. The main reason employers cited for not employing trainees was the withdrawal of employer incentives.

Additionally, the Australian Workforce and Productivity Agency (AWPA) conducted a Retail Workforce Study in March 2014. The study recommended that the Government provide funding for Certificate II level qualifications in Retail service sectors where a Certificate II is demonstrated to be the industry standard entry level qualification, and preferably where the training is integrated with structured workplace learning.

Deregulated trading hours

The Australian National Retailers Association (ANRA) has called for unrestricted retail trading hours which would allow all shops to have the option of trading 24 hours a day, seven days a week with the exception of Christmas Day, Good Friday and the morning of Anzac day.⁹

Coles and Woolworths support the call for national consistency of retail trading hours stating that it would improve economic growth, reduce cost-of-living pressures on consumers and help stores compete against online retailers.¹⁰

The Australian Retailers Association (ARA) Executive Director Russell Zimmerman said although the ARA supports the retail industry trading hours, caution must be taken to keep smaller independent businesses alive. Mr Zimmerman stated that the call for uniform trading hours may assist in economic growth in the short term, however smaller businesses will be unsustainable with the pressures it will involve, and long term it may not prove to give positive economic growth. If consumers want longer trading hours, then employment cost and penalty rates must also be part of the discussion, without penalty rates being reviewed, wages and on costs will be unsustainable for the independent retailers in Australia.¹¹

The main union representing retail workers, the Shop Distributive and Allied Employees' Association argues the main challenge facing industry is online sales by overseas retailers, not labour costs and "sees no justification in any further extension of retail trading hours".¹²

The western Australian Government has indicated that there will not be any further changes to trading hours until after the next election in 2017.

Western Australia

A study conducted in by Patterson Research Group for independent grocers revealed that almost nine out of ten (88%) of metropolitan shoppers believe that current shopping hours are adequate for their needs.

The study showed satisfaction with the current system was not influenced by gender, with 88% of men and the same number of women saying they were satisfied. Three quarters of those in the 18 to 39 age group were satisfied with current hours.

The WA Independent Grocers Association president, John Cummings, said results were a damning indictment of unsupported claims by major national retailers and big shopping centre owners that consumers were demanding more shopping hours.

As we have seen elsewhere, deregulation will result in national and multinational retailers weakening and/or destroying their smaller competitors. The negative effects of deregulation would be amplified in WA as a consequence of the state's rapidly cooling economy.¹³

Since the introduction of Extended Trading Hours a significant change in the employment structure has been identified within small business. A dramatic swing from full-time employees in favour of part-time and casual status has occurred broadly across the industry. This trend also applies to large retail operations.

A survey conducted by RAPS into the extended Christmas Trading hours of 2014/15 revealed that micro and small business had no direct business benefit from the additional trading hours and most stated that they fell short due to lack of support from consumers. It appears that supermarkets and major shopping centres that are national brand dominated were the main beneficiaries.

Penalty rates

Penalty rates continue to be an issue for small business and many have stated that they are unable afford to trade the extended hours. Most believe that the introduction of Extended Trading Hours has caused staffing problems in getting staff willing to work; and the cost of staffing. This has been confirmed by most micro and small retailers RAPS have consulted with. In all cases the initial staffing requirements for Sundays are generally filled by the Proprietors of the businesses.

Over 70% of the retailers consulted believe that penalty rates for weekend trading should be reviewed, removed or at least reduced.

Following a decision by the Fair Work Commission (FWC) on the Restaurant and Catering award to reduce penalty rates by 25% on Sundays for casual employees, the Australian Retailers Association (ARA) is hopeful they will see a common sense outcome in this year's Retail Award Review due later this year.¹⁴ Discussions on this issue are currently on going.

Technological

The importance of increased computer literacy and the use of internet tools is a factor for the Floristry Industry. In order to compete with the overseas market, workers in this industry need to have a level of proficiency if they are to remain competitive.

Technological developments such as e-commerce could potentially improve profitability but are still considered by the majority of floristry businesses as too onerous. However, the number of florists making the digital switch over is increasing and there is further potential for growth with the improved broadband connections offered through the National Broadband Network.¹⁵

With the emergence of greater online trading, both shop front and internet florists will require greater digital literacy skills.

Additionally, investment in inventory and handling systems is essential to maintain profitability by reducing wastage. For an industry in which profits are dependent upon the timely sale of perishable items, this investment is crucial.¹⁶

Economic Drivers

Information has indicated that decreases in consumer confidence have resulted in less expenditure on floriculture products. Similarly, rising rent and electricity and water costs, which are an essential requirement in the floristry industry, have resulted in less revenue as increased costs are unable to be passed on to the final consumer.

Major customers are households (flowers as gifts, flowers for home decoration, decoration for weddings) and corporate clients, including hotels, convention centres and funeral services (floral displays). It is estimated that people aged 50 years or older spend more on flowers than younger people, given that consumers in this age cohort have a great preference for using flowers for home decoration. Therefore the ageing population will have a positive effect on the industry.

Florists that are still primarily marketing their services to consumers are increasingly aware of the need to adopt a higher-end focus. In addition to low-cost general retailers, online-exclusive retailers are a significant competitor. The reduced labour requirements and fixed costs compared with a shop-front put these retailers at a distinct advantage. As a result, a strategy focused on delivering superior products and services is the only viable option, given prices cannot be reduced.

As well as a decline in consumer demand for cut flowers, specialist florists have faced increasing competition from other retailers, such as supermarkets, internet retailers, convenience stores and roadside stalls. Florists also compete in the broader gift market against retailers with substitutes such as chocolates and perfume. Donations in lieu of flowers are increasing in relation to funerals. In an effort to remain competitive, some florists have diversified into the broader gift and home wares market or niche markets, such as the commercial or wedding sectors.

The key development of affiliate organisations allows for floristry businesses via the internet to operate on a national and international scale. Businesses participating in these arrangements benefit from centralised marketing campaigns run by the affiliate organization, as well as have access to additional sales through the home delivery service they offer.

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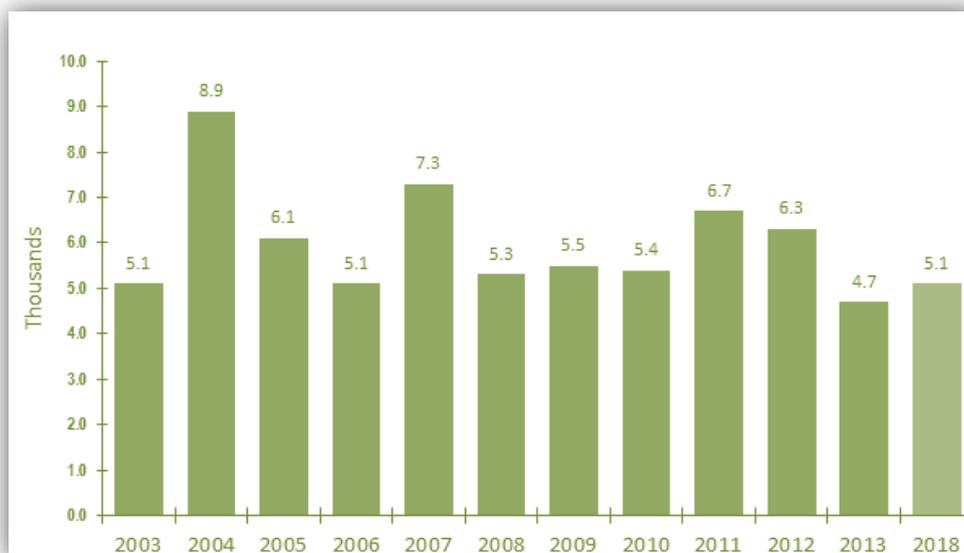
IBISWorld estimates that specialised flower retailers generate just under half the total retail value of cut flowers, both arranged and unarranged, reaching \$728.2 million in 2014-15.

Over the five years through 2014-15, industry revenue is expected to decline by an annualised 0.9%. Sales were negatively affected at the beginning of the period, as instability in financial markets and a slowdown in the Australian economy led to weak consumer confidence and subdued spending.¹⁷

Size and distribution

The Floristry Industry in Western Australia is dominated by small businesses with ninety-five percent of businesses employing less than 20 employees. There is a degree of price/quality segmentation, depending on location and customer base.

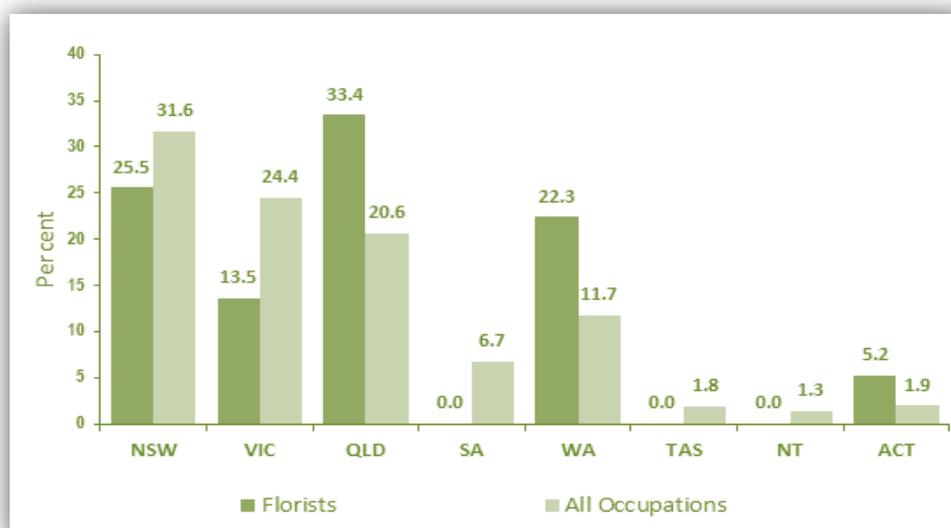
Employment Level (thousands)



The graph shows the historical and projected (to 2018) employment levels ('000) for this occupation. Source: ABS Labour Force Survey, Department of Employment trend data to November 2013 and Department of Employment projections to 2018.¹⁸

The graph above indicates that the employment level for the industry has decreased from 6,300 to 4,700 between 2012 and 2013.

Employment by Region (per cent share)



The above graph shows the State share of employment (per cent) for this occupation, compared with all occupations. Source: ABS Labour Force Survey, annual average 2013.¹⁹

One significant change in employment by region between 2012 and 2013 for Floristry is that employment in Western Australia has increased from 12.1% to 22.3%.

The total retail value of cut flowers in Australia, both arranged and unarranged, was estimated to be around \$728.2 million in 2014-15. The flower retailing industry (which includes only shop-front retailers specialising in cut flowers) is estimated to account for just

under half of this market. Clearly, the population level of each State influences the number of potential customers. Therefore, as may be seen from the following table, more densely populated states have a higher proportion of stores to service consumer demand.

| Region | Number | Percentage (%) |
|---------------|---------------|-----------------------|
| ACT | 22 | 1.1 |
| NSW | 740 | 37.0 |
| NT | 4 | 0.2 |
| QLD | 340 | 17.0 |
| SA | 120 | 6.0 |
| TAS | 60 | 3.0 |
| VIC | 526 | 26.3 |
| WA | 188 | 9.4 |
| Total | 2000 | 100.0% |

NUMBER OF FLORISTRY BUSINESSES (2014)²⁰

Regional Aspects

Although there are no identified shortages for florists in Western Australia, due to the crowding out effect, the lack of availability of skilled labour and a lack of accommodation to house workers in regional areas impacts on all the service industries.

There are limited training opportunities for florists, particularly in regional Western Australia, due to there being only one RTO servicing the entire State.

However, there is a lack of career opportunities for females in regional areas, particularly the Goldfields and Esperance regions. areas.

There is also a need to develop training programs for Indigenous youth, particularly females in the Broome and Fitzroy Crossing regions.

The introduction of extended trading hours in the Perth metropolitan area does not affect trading hours' arrangements in regional areas. Regional traders may choose when they open within the trading hours specified for their locality.

Sustainability

The Floristry Industry is particularly vulnerable to environmental concerns, for example, water usage. However, industry feedback suggests that widespread adoption of environmentally sustainable practices remains to be seen within the Floristry Industry. Practices that have gained some traction include using more environmentally friendly wrapping and ribbons.

The Floristry Training Package SFL10 addressed sustainability in a number of ways including: the embedding of sustainability within appropriate individual units of competency; availability of broad environmental sustainability units to be selected in appropriate qualifications; and the inclusion of sustainability in appropriate employability skills summaries. Subsequently, successful completion of floristry qualifications requires knowledge of the environmental impact of constructing and maintaining floristry products

and practices that minimise their impact, especially those that relate to energy use. Knowledge is also required of the correct and environmentally sound disposal methods for all types of waste, in particular —hazardous substances, spoiled and diseased flower and plant materials, and those with a propensity to propagate weeds. Knowledge of the safe use of hazardous substances, such as cleaning and conditioning agents and preservatives, is also required.²¹

WA RTOs have already been proactive and taken positive steps to implement sustainability practices. Sustainability has been implemented into practical and theoretical training in order to minimise product waste and to move to more environmentally friendly wrapping and ribbon products.

The new Floristry Training Package due for endorsement in June/July 2015 has additional units of competency to reflect customer service skills along with a greater focus on design skills. Assessment requirements have been change to reflect skills will have greater application in the real workplace. The new Training package has stated that entry requirements into Certificate IV will require Industry experience before enrolment.

Qualification Profile of Workforce

Certificates currently being delivered in Western Australia include:

- Certificate II in Floristry (Assistant)
- Certificate III in Floristry
- Certificate IV in Floristry
- Diploma of Floristry Design

Continuous Improvement

The SFL10 Floristry Training Package will be aligned to ensure it meets the needs of industry and the Standards for Training Packages, under the Continuous Improvement process. The SFL Floristry Training Package was submitted for endorsement in July 2015.

Social impact

The increasing cultural diversity of the workforce and of customers means that the ability to work across cultures is becoming an essential skill for many employees, especially in service related industries. Leadership and management skills are particularly important for handling changes in Australian society and growth in cultural diversity of employees and customers. Employers are likely to favor employees who can work and interact with people from different cultural backgrounds. The importance of cultural self-awareness to students is on a similar ranking to the importance of workplace relationships, communication skills, compliance with policies and laws and customer service.

INDUSTRY OCCUPATIONAL OVERVIEW

Supply and Demand of Training

The Floristry Industry firmly believes that building a highly skilled workforce will deliver a highly productive economy. Continuous lifelong learning is crucial for ongoing improvements in productivity and participation.

Work in the service industries dominates the economy, and working in these industries demands a range of different skills to those required in other industries, like traditional trades. Workforce development is about ensuring that Australian Industry has access to appropriate numbers of skilled workers to address needs into the future. It aims to tackle the skill shortages that will come about as a result of trends, such as the ageing population, by increasing levels of workforce participation and developing the skills of the current workforce. Any course of action to solve skill shortages and increase workforce participation will depend on the sector specific labour market that is in imbalance – as each market may need a tailored solution.

In order to remain competitive there is a need for small businesses to develop business management skills and as the majority of the floristry is small and micro sized business is particularly important. The need to upgrade training and knowledge of the latest floristry techniques and the capacity to educate the consumer that they are purchasing a high level of expertise and not just a ‘bunch’ of flowers, is equally important if the industry is to retain its professional standing.

Current and Emerging Skill/Labour Gaps

With the emergence of greater online trading, both shop front and internet florists will require greater digital literacy skills.

Emerging Occupations

There are no identified emerging occupations.

Declining Occupations

Certificate II Floristry (Assistant)

ENDNOTES

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- ⁴ AUSTRALIAN GOVERNMENT (2015). Job Outlook - Florists
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- ⁷ AUSTRALIAN GOVERNMENT (2015). Job Outlook – Florists
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- ⁹ Australian National Retailers Association. (May 2014). Media Statement: *Trading hours – pursuing fairer trading*.
- ¹⁰ Balogh, S. (2014, May 26). Woolworths and Coles unite on trading). *The Australian*. Retrieved from <http://www.theaustralian.com.au/national-affairs/policy/woolworths-and-coles-unite-on-trading/story-fn59noo3-1226931112552#>
- ¹¹ The Australian Retailers Association. (May 2014). Media Statement: *The big two call for uniform trading hours – small businesses call for support*.
- ¹² Balogh, S. (2014, May 26). Woolworths and Coles unite on trading). *The Australian*. Retrieved from <http://www.theaustralian.com.au/national-affairs/policy/woolworths-and-coles-unite-on-trading/story-fn59noo3-1226931112552#>
- ¹³ Inside Retail. (2014, May 22). *WA shoppers satisfied*. Retrieved from <http://www.insideretail.com.au/2014/05/22/wa-shoppers-satisfied/>
- ¹⁴ Retailworld eNewsletter. (2014). Retailers hopeful following hospitality penalty rates decision.
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- ¹⁶ Service Skills Australia. (2014). Wholesale, Retail and Personal Services Environmental Scan.
- ¹⁷ IBISWorld. 2014 - Flower Retailing Market
- ¹⁸ AUSTRALIAN GOVERNMENT (2015). Job Outlook - Florists
<http://joboutlook.gov.au/occupation.aspx?search=alpha&tab=stats&cluster=&code=3621&graph=EL>
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<http://joboutlook.gov.au/occupation.aspx?search=alpha&tab=stats&cluster=&code=3621&graph=RE>
- ²⁰ Australian Flower Industry. (2014). Facts and figures – Data on the industry.
- ²¹ Service Skills Australia. (2014). Wholesale, Retail and Personal Services Environmental Scan.