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# DIANA'S FLORAL STUDIO: A NEW MARKETING ARRANGEMENT: INSTRUCTORS' NOTE

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## CASE DESCRIPTION

*The primary subject matter of this case is differentiation of products and services in a relatively competitive market during challenging economic periods. In particular, this case highlights how business owners identified a specific market segment on which to focus their efforts without incurring additional marketing costs in traditional media channels. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a management, strategic marketing management, or an entrepreneurship course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments on the U.S. territory of Guam in the Western Pacific region.*

## CASE SYNOPSIS

*The case is about Diana's Floral Studio, a small family-owned business on Guam that today provides floral arrangements and consulting services for the island's functions and events. The case traces the business through the early years of Diana's Floral Studio as a small flower shop to a business that specializes in floral design services. The business had undergone a transformation in focus and strategy in response to trends in the marketplace resulting from macroeconomic conditions affecting Guam's tourism dependent economy. This reorientation of its business operation also resulted in a change from originally serving mainly a clientele of individuals to entering into contractual agreements for business services with larger clients like the island's major hotels. As such, Diana's Floral Studio has changed its marketing strategy from utilizing traditional media channels to reach individual customers to one that relies on word of mouth advertising from existing large clients. With Guam's highly transient population and the impending military build-up, the business owners must continue exploring new marketing strategies to maintain its position as one of the island's leading floral design studios.*

## TEACHING NOTES

This case describes how Diana's Floral Studio, a small family-owned flower shop, successfully carried out a series of major business changes over a period of several years. Changes in operations and marketing strategy were required due to economic conditions and market trends. Textbooks often have simple definitions of these terms and offer examples using large corporate entities that may not exist in the Western Pacific region. The Diana's Floral Studio case provides an opportunity to develop an understanding of these concepts in a real business setting in a small island environment.

### DISCUSSION QUESTIONS AND RECOMMENDED ANSWERS

- 1. The Yang's of Diana's Floral Studio shifted gears from being a small flower shop and flower distributor to being a consultant and service provider, contracting with larger customers in the tourism industry while continuing special event services. Explain what motivated this business decision. Expand on your answer by describing the risks associated with this or similar business decision(s).**

Because of various external factors (typhoons, financial crises, SARS, etc.) dating back from the early 1990's, Guam experienced severe hardships in the economy. Guam's tourist dependent economy suffered from these conditions, which impacted many of Guam's small businesses. The rollercoaster ride that Guam's economy had taken during this time made Diana's Florists change from one type of business to another—from a flower distributor and retailer to being a consultant and service provider, contracting with larger customers in the tourism industry while continuing special event services.

The risk associated with this, or similar business decisions, is that of a change in demand for the goods and services produced by the company. If the change is a positive one, and the demand for the services of Diana's Floral Studio increase, the amount of risk is decreased a great deal. However, if the demand from large customers for the offerings decreases, either due to loss of business to competitors or a change in general economic conditions, the amount of risk involved to the business owners will increase significantly.

- 2. How did the family contribute toward the success of Diana's Floral Studio?**

Diana Yang, the principal owner and president, had the help and guidance over the years of her three daughters who have used their college business degrees to assist with running

the business. The daughters have had an impact on important business decisions. The input from the daughters was crucial in the decision-making when the family decided to give up being a flower distributor and to remove the storefront to cut operating costs. Diana is now able to focus on the floral design and now plays less of a role in the office. A key factor of this business case is that the business being reviewed is a family business. Family members have made key decisions to operate the business with a sense of care through the personalized service given to their clients.

**3. What can be done by the business owners to maintain Diana's Floral Studio's competitive advantage over other flower shops?**

Diana's Floral Studio competitive advantage over other flower shops is that it has captured a niche market by providing superior services in floral design for larger customers like the island's major hotels. One of the key barriers against the competition is the inventory of design skills of the studio's designers. However, this barrier may not be sustainable over the long run unless turnover of designers is controlled and that competitive intelligence, (i.e., the design skills) is not transferred to the competition. In order to maintain this advantage, business owners must provide a working environment that will minimize turnover of its skilled floral designers. Another safeguard will be to provide adequate training to others in the business in order to transfer knowledge and skills to maintain and/or enhance the level of service provided by Diana's Floral Studio.

**4. Explain how the marketing strategy of Diana's Floral Studio changed over the years. What factors caused the change in marketing strategy? What are some recommended marketing strategies to capture new business with the impending military build-up?**

As a retail store and distributor, Diana's Floral Studio was successful during the 1990's, which was when they relied on traditional advertising media, such as Guam's Pacific Daily News newspaper, radio, local magazines, as well as word of mouth advertising. However, the business is now likened to a consulting firm or contractor and now relies heavily upon its reputation in the small island community to generate new business and encourage repeat business. Their pricing strategy, pricing above the competition, is a large part of their marketing strategy to convey that their service is distinctive due to the quality and creativity behind their arrangements and quality of service. Diana's Floral Studio now does little to no advertising via the island's traditional media channels.

Diana's Floral Studio has moved away from the flower distribution and retail business over the years. This is one of the major reasons for the change in marketing strategy. The business owners now rely on the business' reputation as a consultant and service provider as well as the satisfaction expressed by their clients to other prospective clients. Because of this status, the business owners find little benefit with mass media advertising. This conclusion is also based on their newly established focus on being a service provider to a customer base of larger, repeat clients.

To capture new business resulting from the military build-up, the owners of Diana's Floral Studio can explore various avenues for marketing their services. This can be done via established contacts such as their current clients for joint-promotions and marketing campaigns. They may also consider cost-effective targeted marketing venues such as websites and print media that are specifically made for the military or military-support market, such as the Pacific Stars and Stripes

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