



Market sizing of the Dutch flower market

Case interview preparation – downloaded from www.eurekon.nl

Why case interviews?

- Case interviews are representative of our work and help us gain insight into how you approach and analyse different problems. At the same time, cases are often based on our projects and may give you a good impression of your future work
- In a case, it is important to:
 - Provide a clear structure for the analysis
 - Prioritise the components of the problem
 - Work together with the interviewer and develop a clear recommendation
- In our view, cases have no 'right' or 'wrong' answer. Rather, it is an opportunity for you to show your analytical skills and creativity
- This is a **market sizing case** with a **quantitative focus**. The case works best when conducted by an interviewer who can prepare the case. However, you can also solve it alone. The first slides are for the interviewee, the latter slides are meant for the interviewer – or for you to compare results

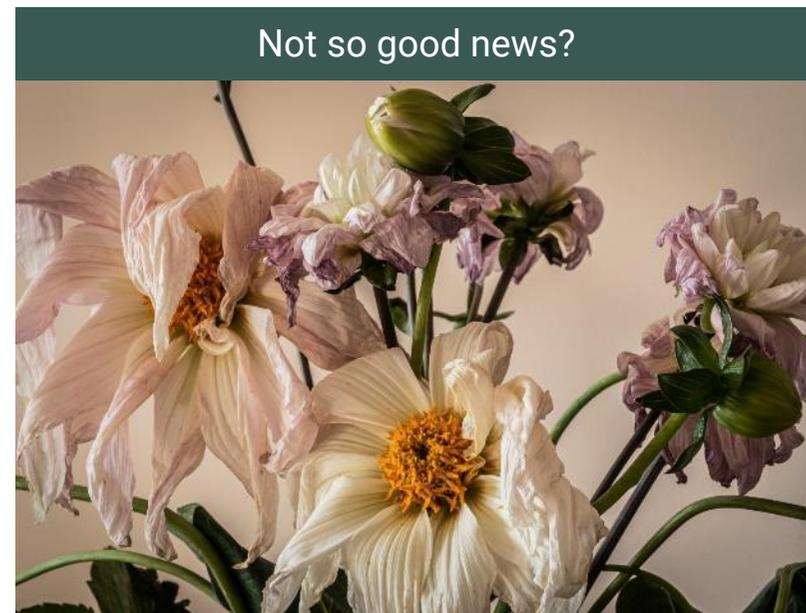
The question: please estimate the size of the consumer market for flowers in The Netherlands



- Our client is interested in taking over a fast-growing company in the flower industry. To calculate the potential for further growth, we need to know the size of the flower market in The Netherlands
- **We want you to estimate the total size of of the consumer market for flowers in The Netherlands in € - calculate before going to the next slide**

Knowing the market size, we now see the company already services 50-60% of the market. Is this good or bad news?

- Based on your market sizing, we estimate that the company to be acquired already serves 50-60% of the flower market. Our client wants to understand if this is good or bad news
- **What are your initial thoughts? What next steps are you proposing to help the client?**



Guide for the interviewer – provide additional information when asked for

Additional information:

- We would like the total market revenue and the number of **bouquets** sold per year
- You may **neglect flowers that are not sold in a bouquet**

Good candidates

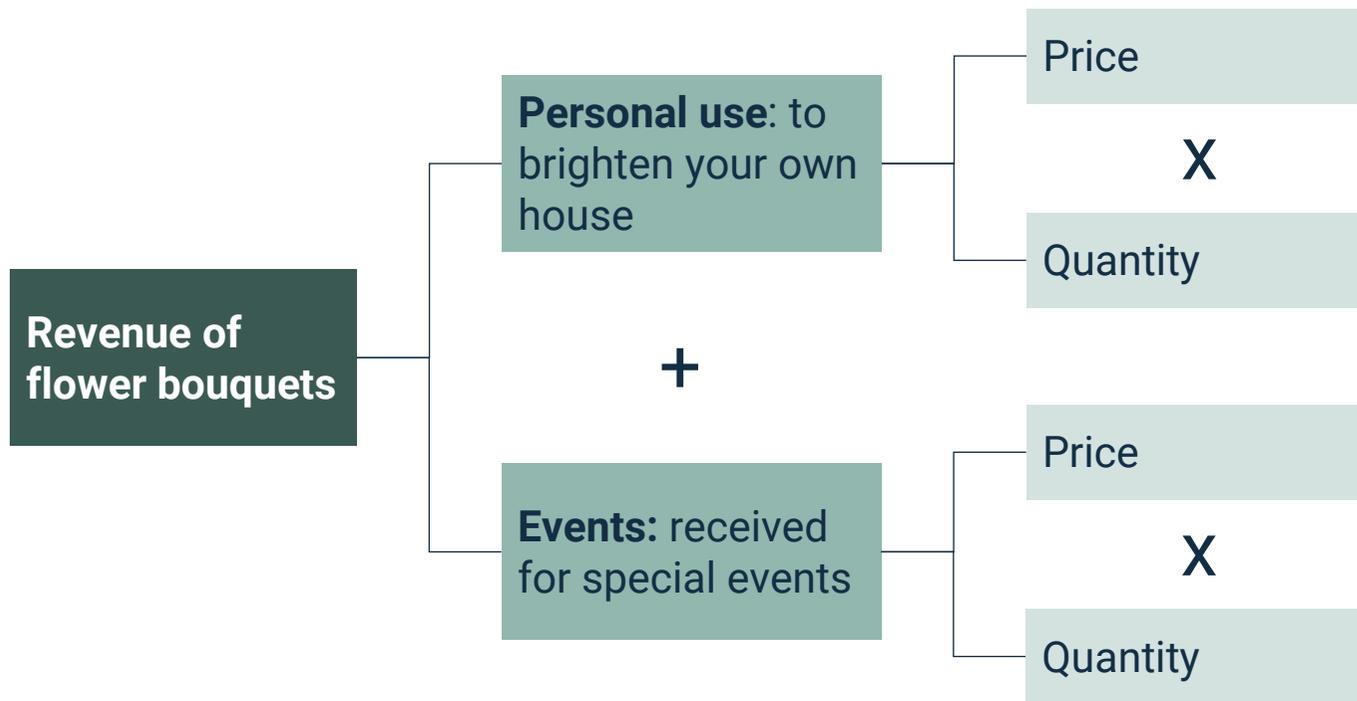
- Verify the objective
- Communicate a clear structure before calculating
- Choose an approach with the best justifiable assumptions
- Sanity check
- Understand the market value when based on consumer prices includes VAT (while our clients revenues typically do not)

Traps

- Making calculations unnecessarily difficult
- Not communicating during calculations
- Using one's own experience with buying flowers as main input

Suggested approach (1/3): separating personal use and special events could be a good idea

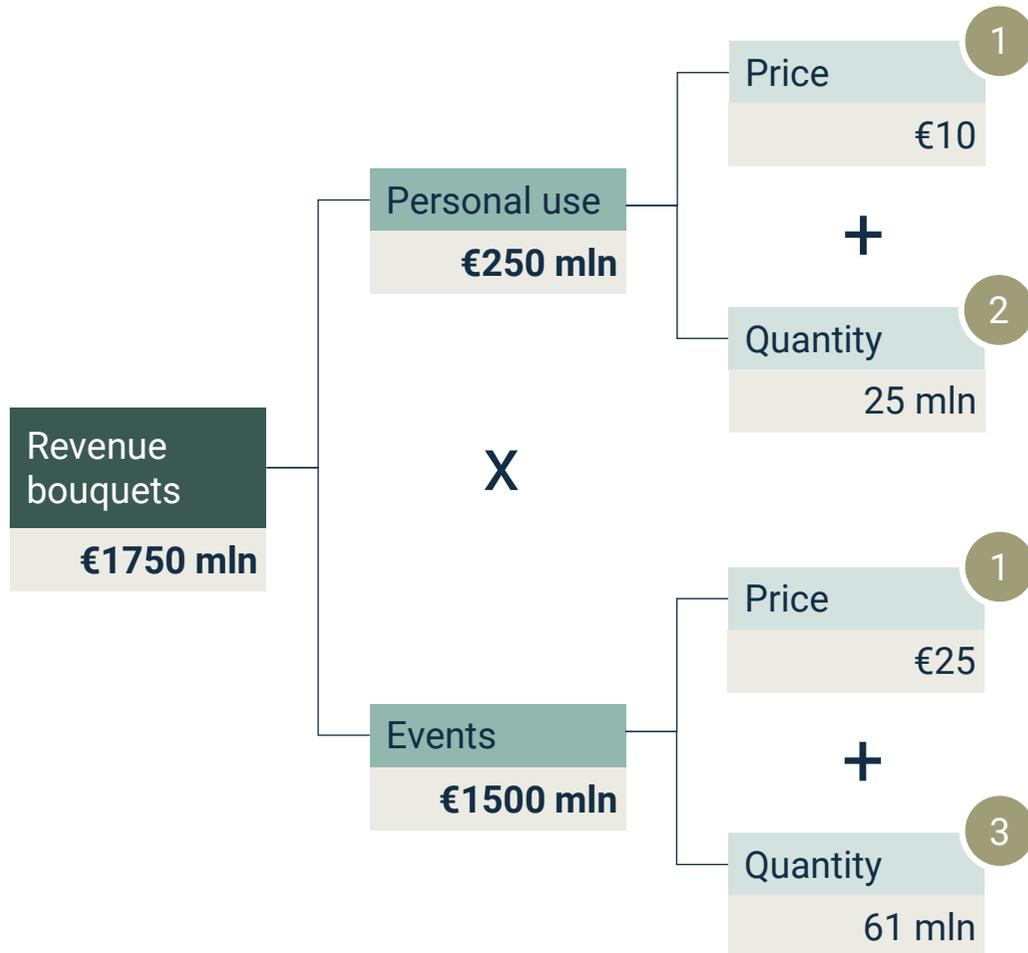
Example structure and calculations



Suggested approach (2/3): different ways to estimate volume of personal use and events; with different prices

Example structure and calculations

INDICATIVE



1

Type of store	Average price
Florist	€25
Supermarkets, gas stations, etc.	€10

2

Flowers for personal use	
Households in NL	8 mln
Penetration rate %	25%
Households that buy flowers	2 mln
Bouquets per month	1
Sold per month	2 mln
Months	12
Total per year	~25 mln

3 Next page

Suggested approach (3/3): outcomes will differ from candidate to candidate – also when the thinking is similar

Example structure and calculations

INDICATIVE

3

Event	Times in a life	Bouquets per person per event	Total per event	Remarks
Birthday	80	2	160	
Funeral	1	10	10	
Wedding*	4	5	20	Wedding and anniversary parties (12.5/ 25/ etc)
Moving*	7	2	14	
Romantic gestures	40	1	60	Wooing, Valentine, wedding anniversary, ...
Recovery	5	3	15	
Career events	10	1	10	Graduation, job leave, new job, promotion, ...
Flowers received in a lifetime			289	

Avg. # of flowers received annually	3,5
Inhabitants NL	17 mln
Total per year NL	~61 mln

- Looking at all flowers received during a lifetime and dividing it by life expectancy is more accurate than looking at flowers someone received/ gave this year
 - It is tempting to look at how many flowers you receive or gave away in the last year or so. However, this highly depends on factors such as age, relationship status, etc.
 - Looking at an avg. lifespan and all the associated events, assumptions may be more accurate
- In thinking through, you would expect someone to say things as:
 - Some families always ... others never
 - I would ... but my friend would ...

Sanity check

$$\frac{\text{Market revenue}}{\text{Inhabitants NL}} = \frac{\text{€1750 mln}}{17 \text{ mln}} = \sim\text{€100}$$

Seems reasonable that a person spends €100 on flowers a year

* The number of bouquets per event is 2 times higher (as you get married together)

Suggested conclusion: very high share in NL may limit further potential there, perhaps abroad?

HIGHLY SPECULATIVE

- Good or bad depends on the goal of the acquisition
 - Bad news if our client wants to grow significantly in the Netherlands. Given the high share already, this is probably difficult to do without lowering margins, due to higher sales effort or lowering prices
 - Good news if their goal is to grow by entering another EU market. The high market share could indicate a proof of concept, economies of scale and thereby stable revenue
- Next steps could be analysing competitor landscape, evaluating the product, price sensitivity, possibilities to diversify, EU market entrance options, ...

Good candidates

- Understand that high market share is not good or bad
- Have practical examples
- Come up with creative next steps

Traps

- Making strong statements with too little information

Evaluation – for interviewer: focus on the reasoning, not so much on the answer

- In our own practice, excellent candidates arrive at market sizes that may differ significantly. Often, this is related to personal experience. One candidate may have grown up in a family who always had flowers, another in a family where flowers were rare
- However, you will be able to get good insights on:
 - How the candidate structures the issue and develops a practical approach
 - Creativity of the candidate – what occasions can you think of?
 - Speed and accuracy of calculations – including using shortcuts (why bother with 17 mln/ 80 years if 16 mln/ 80 is much easier and accuracy is $\pm 20\%$ anyway?)
 - Sanity checking – does the answer make sense?
- So, do not pay too much attention to the outcome. Unless of course the candidate is off by a factor of over 10 without noticing/ sanity checking 😊



Did you have another approach? Please let us know via career@eurekon.nl!

At Eurekon Strategy Development, we don't believe in 'one size fits all' frameworks. We choose our tools depending on the needs of the situation. And we do not give up until the issue is solved.

We are eager to learn, so please let us know whether this case was helpful for you and what could be improved!