

Michael Metzger

## Flores del Este (A): A Costa Rican Florist Considers Online Opportunities

In March 2006, Lorena and Victor Hugo Delgado, owners of Flores del Este, a small flower shop in San José, Costa Rica, had just finished a meeting with Paul Fervoy, general manager of MiWeb, a web development company. The Delgados were trying to decide if they should invest their very limited resources in developing a web presence as Fervoy had just proposed. Neither of the Delgados knew much about the Internet, and they had plenty of questions. Would it change the way they had been doing business for so many years? More specifically, would a web presence return them to the sales level they had lost when their deal with Costa Rica's first online florist, TicoFlores.com, was terminated? Would an investment in a web presence be profitable? Or would it be a waste of money?

### Flores del Este

The Delgados, a Costa Rican sister and brother, founded the Flores del Este business in 1991 to sell flower arrangements and bouquets for any occasion. Their rented shop was located in the San Pedro neighborhood within Costa Rica's capital city of San José (see **Exhibits 1 and 2**), and offered home delivery service in the capital's metropolitan area.

Their first years in business were difficult. Nevertheless, by working hard for long hours, the brother and sister team managed to keep the business afloat for 14 years. In 2004, the shop's monthly revenues were around \$5,570 USD or approximately 2,434,090 colones.<sup>i</sup> This amount was usually just enough to pay all the operating expenses, which included rent, salaries, loan interest, and service charges, as well as the purchase of raw materials such as vases and flowers.

In 2005, the Delgados were contacted by the owner of TicoFlores.com, the first online florist in Costa Rica. TicoFlores wanted the struggling Flores del Este to be the exclusive distributor of floral arrangements ordered on its website, and offered the Delgados 40% of the selling price, which would then cover materials, flower arranging and delivery. The Delgados accepted.

<sup>i</sup> The exchange rate on July 1, 2004 was 437 colones to 1 US dollar according to <https://www.xe.com/currencytables/?from=USD&date=2004-07-01>.

*Published by WDI Publishing, a division of the William Davidson Institute (WDI) at the University of Michigan.*

© 2019 Michael Metzger. This case was written by Michael Metzger, Assistant Professor at INCAE Business School and Visiting Assistant Professor at the University of Michigan's Ross School of Business, and researcher Bernardo Requena. This case was prepared as the basis for class discussion rather than to illustrate either effective or ineffective handling of a situation. The case should not be considered criticism or endorsement and should not be used as a source of primary data.