



## QuickTakes

*Ideas You Can Put  
to Work Immediately*

### 1 Handling Rush Deliveries

When customers plead for unusually fast delivery of a last-minute order, say yes if at all possible. It's the kind of response they'll appreciate now and remember later.

And don't be shy about charging extra for rush deliveries. Customers who truly need special services should be willing and accustomed to paying for them.

### 2 Using a Time Clock

Tracking hours is a chore for you and your employees.

To simplify the job, consider installing a time clock or using a time clock program on your computer and/or smart phone. Many time clock programs are available, and most provide a free test to make sure they meet your needs.

Your employees no longer will have to remember to write down their hours each day. The hours worked will be tracked accurately, so you will be certain to pay overtime when it is earned—and not to when it isn't.

### 3 Part-Time Employees

Hiring part-timers will let you staff down for slower days while still maintaining a qualified labor pool for peak times.

When the shop is busy, you can increase part-timers' hours for a few days.

Part-timers are "talent on tap," so to speak, and you won't have to pay overtime when you ask them to work extra hours.

## INSIDE THIS ISSUE

<b>FROM THE PUBLISHERS:</b> <i>Choices</i> .....	Page 2
<b>MANAGEMENT ESSENTIALS:</b> <i>Charging for Services: What &amp; How Much?</i> .....	Page 2
<b>DESIGNER PRODUCTIVITY:</b> <i>Why Does It Matter?</i> .....	Page 4
<b>MONEY SMARTS:</b> <i>Saving Strategies</i> .....	Page 6
<b>BY THE BOOKS:</b> <i>Charging for Labor</i> .....	Page 7
<b>INQUIRIES &amp; ANSWERS:</b> <i>Pricing Weekly Specials; Long-Distance Deliveries</i> .....	Page 8
<b>NORMS:</b> <i>FTE Annual Sales</i> .....	Page 8



## CHOICES



Sometimes you may feel as though you don't have many choices. Circumstances may seem to leave you with little room to maneuver.

There are many scenarios. A business partner walks out, leaving you holding the bag. Your banker calls a note, creating financial problems. You are in a car accident, leaving you physically impaired.

Devastating events like these demonstrate that control often is an illusion. You can only control what happens in your life to a certain extent.

Even when you don't have control, you do have choices.

Your choices will often relate to how you respond to what is happening. Do you pursue option A or B? Do you fight or quit?

The most important choice is how you react. Whatever the circumstance, you can choose to be angry or calm. You can be reactive or proactive. You can resign yourself to fate and give up. Or you can be determined and creative, and carry on.

Your decisions and attitude in the face of challenging situations will largely determine where you end up. In these moments, you can set the stage for your future success.

A positive, calm, thoughtful attitude will carry you far, no matter what comes your way.

Paul Goodman  
Editor

*Paul Goodman can be reached at  
plgoodman@aol.com.*

## MANAGEMENT ESSENTIALS

# Charging for Services *What & How Much?*

**W**hat's the biggest difference between the average retail florist and the average supermarket floral department?

Flower quality used to be the big differentiator. Over the past 25 years, that has become less and less true. Supermarket floral departments today often deliver a high-quality product.

What about product variety? Although you may have a greater selection, that is not the biggest difference either.

The answer is service.

Retail florists are as much in the service business as the flower business. In fact, service is the reason many customers buy from and stay with your shop.

Delivery is undoubtedly the most important of the services you offer. Handling outgoing wire orders is another big one. Setting up for weddings and other events is crucial for some customers.

Because these services are so important, you should make money on them. However, that's not the way it always has been.

### A LITTLE HISTORY ON DELIVERY

In the 1980s, it was common to meet florists who offered delivery at no charge. Many others charged only a token amount—\$1 or \$2.

Times have changed. Today, it's rare to find a florist that offers free delivery. Most are charging at least what they think it costs them to offer the service.

The most common standard charge today is \$9.95 (more than that in larger cities). And \$14.95 to \$24.95 for timed or rush deliveries.

Remember, delivery is more difficult than it used to be. More people are working outside the home. The

growth of gated communities is another challenge. Delivery may take multiple attempts. It is only appropriate to make a profit on such a valuable service.

### DELIVERY COSTS

Just what does it cost a florist to make a delivery?

Several variables are involved. And we know all of the variables and what they cost:

- The size of the vehicle you are using;
- The labor rates you pay your drivers;



- How many deliveries a driver can make, on average, in one hour.

Minivans are the most popular vehicle choice. However, many florists still prefer full-size vans. The purchase price is roughly the same for both. Full-size vans can carry more, but minivans get better mileage.

Labor is the biggest part of the delivery cost. Over half. That's why you have to know how many deliveries your driver can make per hour.



The February 2018 issue of *Floral Finance*

covered the costs of making a delivery in detail and provided tables to help you estimate your individual costs.

## SETTING YOUR DELIVERY FEE

If you look at your own numbers, you probably will discover that it costs \$5 to \$6 to make the average delivery. Those figures assume your drivers can make three to four deliveries per hour.

If you are charging less than your costs, you should at least raise your fee to breakeven levels. Better yet, charge enough to make a profit.

Experience says you won't lose business. Customers know the cost of delivery because they have used and paid for a variety of other delivery services. As a group, people rarely complain about paying what they know is fair.

Retail florists who have raised delivery charges typically report little, if any, resistance to the change.

Competition is another typical source of concern. "I can't raise my delivery fee higher than my competitors." That, too, usually is not the case. You can raise your charges and not lose customers.

In fact, as soon as one florist steps out to make a profit on delivery, the competitors often will follow. But even

if they don't, experience says you won't be hurt.

Before you reject the idea of higher delivery fees, think of the bottom-line impact. The average retail florist makes between 2,000 and 3,000 deliveries for each \$100,000 of arrangement sales.

So, in a \$300,000 shop, a \$1 delivery charge increase will bring \$6,000 to \$9,000 straight to the bottom line. Not an amount to pass up casually. If you raise your charge more than a dollar, you will gain some serious money.

## OTHER SERVICE CHARGES

You also should make money on other services.

Take outgoing wire orders—the second most common service charge in a retail flower shop.

To be conservative, assume it takes an average of 15 minutes to sell, take and send an outgoing wire order. Depending upon your hourly wage, labor costs on the order can easily be \$3 or more.

Many order-gatherers charge \$14.99 for their services. Set your outgoing wire order charge at a level that will cover your expenses and allow a decent profit as well.

The goal is the same for labor outside the shop. Setting up or tearing down weddings and parties requires a lot of work. Work you have to pay for.

It is only right for your customer to pay for that work. For an analysis

of what to charge for wedding and party labor, see the article on page 7.

## FREE SERVICE

Of course, there is one other very important service your customers appreciate and expect: a positive, friendly, customer-oriented attitude.

That's a service you don't—and shouldn't—charge for directly. Even so, it is central to building a successful retail flower business. So, keep the service flowing. 🌱



Customers know the cost of delivery because they have used and paid for a variety of other delivery services.



# Designer Productivity

## Why Does It Matter?



**I**t doesn't ... if you don't care about making money.

However, if profit motivates you, designer productivity should be high on your list of priorities.

Out-of-control payroll is the number one reason for low profitability. The average flower shop does a better job of controlling cost of goods sold (COGS) than controlling payroll.

When payroll is out of line, design labor usually is to blame: too many paid hours spent producing too little designed product. In other words, design productivity is too low.

Both you and your designers should be interested in productivity. You need to control payroll. The designers need to understand your expectations. The higher their productivity, the higher the wage you can pay.

### REASONABLE EXPECTATIONS

Ask any experienced florist. The odds are high you'll get the same answer.

A well-trained designer ought to be able to complete four average-sized arrangements per hour. That's not a sweatshop pace. Just a reasonable level of productivity.

If your shop's average retail arrangement price is about \$50, you

can expect your designer to produce \$200 per hour.

Of course, no designer is productive all day long. They typically do many other non-design tasks. In most shops, six hours of productive design work in an eight-hour design day is the norm.

Consequently, you should plan on a full-time designer producing about \$1,200 per day. That would be an

average of \$150 for each hour of an 8-hour day.

This analysis is the place to start because it shows how many design hours you need in a given day.

**Example.** If your average order size is about \$50 and you expect \$1,200 of arrangement sales a day, you would need 8 hours of design time each day. Four hours might come from one person, and the balance from one or more others.

### THE VALUE OF PRODUCTIVITY

Several years ago, *Floral Finance* published an article titled "\$300,000 With One Designer." Depending upon your average order size, that's exactly what you can expect. At least most of the year.

How is it possible? Here's the explanation.

Although there are minor fluctuations, your everyday, non-holiday sales are remarkably constant throughout the year.

In a typical shop, non-holiday volume represents approximately 77% of annual sales. The other 23% comes from holiday orders.

Consequently, a \$375,000 shop would do about \$288,750 in everyday, non-holiday business. Dividing that by 52 weeks per year gives \$5,552 per week. With \$150 of design production per hour, this shop would need 37 hours of design time per week. Just under 8 hours per day if the shop is open 5 days a week and a little over 6 hours if the shop opens 6 days per week.

Only holidays (or days with large events or funeral activity) would require more than 8 hours of design time. Most shops experience 30 to 45 such days a year.

To look at it another way, if you had a designer producing an average of \$150 per hour 6 days a week, you

could handle \$374,400 of non-holiday sales in a year.

To some florists this sounds impossible. To other shops, it seems like a reasonable goal. And some highly profitable shops achieve even greater levels of productivity.

### ANOTHER BENCHMARK

Here's another way to look at it.

Profitable shops often target 10% of arrangement sales for design wages. In other words, if a designer produces \$1,200 of arrangements at retail, total wages for that designer (including taxes and benefits) should not exceed \$120, or \$15 per hour for an 8-hour day.

At holiday times, when full production techniques are in place, production should climb, and design wages, as a percentage of arrangement sales, should decline. During these period, highly productive shops may see design wages of 7–8% of arrangement sales.

### LOOK AT YOUR NUMBERS

If your design wages are 10% of arrangement sales, pat yourself on the back. If they are higher, two easy steps will help you reach the target.

#### 1. Sell Standard Arrangements

**Year-Round.** Selling standard arrangements all year long is the first step toward increasing design room productivity. Although most shops sell standard arrangements during holidays, the shops that best control their payrolls use standard arrangements throughout the year.

With standard arrangements, the designer knows exactly what to make and exactly how much of each item to use. There's no guesswork.

Standard arrangements also don't require as high a level of design talent. You can use lower-paid "arrangers" rather than higher-paid designers.

As an added benefit, COGS is controlled precisely. Once you have determined the design's initial formula, every arrangement made according to the recipe will duplicate the COGS of the original.

**2. Make Multiple Copies.** The second step is to make more than one of as

many arrangements as possible. If you can make five or 10 arrangements at a time, all the better, as long as you can sell them.

It's called "production designing." Even if you can only make two of most items, your productivity will increase dramatically.

### NON-HOLIDAY STAFFING ANALYSIS

Every shop that wants to increase productivity needs to perform a non-holiday staffing analysis. It's a fairly simple process.

*You should plan on a full-time designer producing about \$1,200 per day.*

Take four consecutive, non-holiday weeks. Perhaps the last week in February and the first three weeks in March, or four weeks from September or October.

List the days of the week down the left side of a piece of paper. Across

the top put seven columns—one for each week, a total column, an average column, and an hours-needed column.

In column one, record the arrangement sales for each day of the week. You can get these numbers from your point-of-sale (POS) system's daily sales reports.

Then, fill in the same information for the weeks in columns two, three and four. Next, sum the total design sales for all four Mondays and put that number in the total column. Do the same for every other day of the week.

Now, divide the total sales for each day of the week by four to get the average design sales for that day. Put the average in column 6.

Last, divide the average design sales for each day of the week by \$150 to get the number of design hours needed.

After you've completed the analysis, all that's left is to apply what you learned. Schedule the necessary number of design hours for each day. No more. No less.

Your bottom line will be healthier before you know it. 🌸

## Increase Designer Productivity



Multiply your average order size by four. Then, multiply that answer by six to determine a reasonable daily design target for a full-time designer.

#### Step 1. Establish your target.

Divide the daily target by eight for the amount of design work that should be produced per hour.

#### Step 2. Do a non-holiday staffing analysis.

Schedule only the correct number of design hours for each day of the non-holiday week.

Immediately reduce your staff back to non-holiday levels as soon as each holiday period ends.

Note: Complete non-holiday staffing analysis forms and instructions are contained in ***The Profit Minded Florist*** (available from Teleflora).

#### Step 3. Make and sell standard designs all year long.

#### Step 4. Always make more than one of each arrangement.

Put the extra arrangement(s) in the cooler, and instruct your salespeople to "move them out" when filling telephone or electronic orders.



## Saving Strategies



**L**ast month, we looked at the patterns of people who become millionaires. It turns out the key is to become a prodigious saver.

Unfortunately, in recent years Americans have saved less and less. In fact, some years the U.S. has had a negative savings rate—people were drawing down their savings rather building them up.

Younger adults, in particular, often live beyond their means. As people get older (and wiser), they become savers—first, to pay off their debts and, second, to save as much as they can for retirement.

### LIVING RIGHT

Saving requires that you live under your income. Each year, you must spend less money than you make. To meet this goal, you must decide not to increase your spending as your income increases.

No one will force you to save. You have to make the decision and then do whatever it takes to fulfill your commitment.

For many people, this means big changes in how they live.

### SAVING IMPROVES LIFE

Savers will increase the quantity of money and improve the quality of their lives.

Quantity, because they can put aside

the money they would have spent on interest. That's more to enjoy later.

Quality, because they are much more financially secure. They sleep better and worry less about financial pressures.

### TWO MORE IDEAS

Besides making the decision to live under your income, one of the best ways to build your nest egg is to begin pre-paying your home mortgage. An extra \$200 or \$300 on each monthly payment will greatly reduce the total amount of interest you will pay over the life of the loan.

For example, for every \$100,000 you borrow at 6%, paying off the mortgage in 15 instead of 30 years

will save you approximately \$65,000 in interest.

And it will add only \$250 more on your monthly payment.

Another strategy is to put aside a set amount from each paycheck. Pay your savings account just like you would any other bill. Saving then becomes part of your budget, not just an option if you have anything left over at the end of the month.

### SET A TARGET

How much should you save?

Initially, shoot for enough savings to get you by for three months if you lost your income. Once you meet that goal, make it six months.

Next, look at accumulating a substantial lump sum. In today's terms that is probably \$100,000 to \$200,000.

It will probably take you years to accumulate that much. However, once you get there, saving will be even easier. The interest you earn on the lump sum will keep your savings growing without any extra effort on your part.

If you're 50 years old, whatever you have saved will probably double by the time you are 65 under normal interest rate conditions.

Of course, you will have to pay taxes on the interest. However, if you're a determined saver, you will pay the taxes out of your income, so your savings will continue to grow.

### WHY THE WORRY?

We're a consumer society. We live on easy credit. Why should we worry about saving money?

If you don't save, you can count on financial problems in retirement. You can't continue to borrow and spend if you don't have an income.

As you age, the odds are your income is going down. If not before age 65 or 70, shortly thereafter.

Those who lived through the Great Depression knew more about money management than many professional money managers today.

Follow their model: Don't spend more than you earn. Borrow as little as possible. Save as much as you can. 🌱

# CHARGING FOR LABOR

**H**ow much should you charge for labor done outside your shop—for example, setting up or tearing down weddings or decorating someone's home for a special event?

Good question.

As a consumer, do you ever get irritated when you go to an auto mechanic and see a sign on the wall that says, "Our labor rate is \$45 per hour"?

How can they get by with charging so much? Certainly, the mechanic can't be making that much money.

You're right. The mechanic is not getting all that money. But the shop owner has a lot of other costs to cover. And so do you.

## COST OF AN EMPLOYEE

The true cost of an employee is much higher than the worker's hourly rate.

For starters, you must pay Social Security and Medicare. That amounts to 7.65% of the employee's wage.

Local and federal unemployment taxes and workers compensation insurance will add another 4%–8%.

Next look at the cost of your employee benefits. Two weeks of paid vacation and two weeks of paid sick leave and holidays add another 8.3% to your cost.

Health insurance can add 10%–30% (or more), depending on how much of the premium you pay.

Add it all up and you probably are paying from 12%–50% or more in direct labor costs on top of your wage rate.

But that's not all. You also have to consider the facilities cost attributable to each employee—the rent and utilities for the space the employee uses.

## THEN, THERE IS PROFIT

It is only fair that you make a profit on your labor—enough to cover some of your overhead and then make a contribution to the bottom line.



So how much should you charge? Doubling the employee's wage rate to get the hourly billing rate is not unreasonable. It's very similar to selling hard goods in your shop. You double your cost to cover operating and overhead expenses as well as leave a reasonable profit.

Attorneys and CPAs, who often charge well over \$100 per hour, not only pay themselves and cover rent and utilities; they also cover the cost of secretarial and other office help. No wonder their hourly rate is so high.

For retail florists, doubling the employee's wage rate is a reasonable place to start. Remember that each employee will have a different labor rate depending upon their hourly wage.

You also need to set a rate for your labor as the owner/manager of the shop. If you don't take a salary, estimate what you would pay someone else for that work and then set your labor charge accordingly.

## WHAT TIME TO BILL

Once you've settled on your billing rate, you need to determine what hours you will bill for.

The last repairman I had out to the house charged a higher flat rate for the first hour, which included his travel time and transportation. To be specific, I was charged \$80 for the first hour (or fraction thereof) and \$45 for each additional hour.

Make sure that customers who want help outside the shop understand your rates. You don't want to risk an unpleasant surprise.

Do a good job. Be friendly and efficient. Meet your customers' needs. Fulfill all of their expectations—and more.

Your customers will be willing to pay for the services they receive. 🌸

## FAMOUS FINANCIAL WORDS

"Mathematics has given economics rigor, but alas, also mortis."  
—Robert Heilbroner

"With low overhead, frugal means, and fragile budgets, you can't buy your way out of problems. You have to learn your way out."—Paul Hawken

teleflora.

3737 NW 34TH ST  
OKLAHOMA CITY, OK 73112

# INQUIRIES & ANSWERS Letters

## PRICING WEEKLY SPECIALS

*"Should I use my normal pricing formula for our weekly special?"*

**That's not what is most important.**

A weekly special is designed to attract customers into your shop on a frequent basis. It also is used to tantalize new customers to give you a try.

Neither of those will happen if the special isn't special. It needs to be inexpensive and give extra value for the price.

To accomplish these goals, you can use a smaller markup or buy bargain merchandise for your specials. A combination of both is even more practical.

Ask your wholesaler or grower to let you know when they are clearing out overstocked or leftover items. If you get a good price, pass it along to your customers.

When bargain purchases are not available, you will have to use a lower markup on your normal product.

## LONG-DISTANCE DELIVERIES

*"How far away from the shop should I make delivery available?"*

**Everywhere, but only locally.**

As a retail florist, you can have product delivered anywhere there is a fellow florist to whom you can send the order.

However, a neighborhood florist generally should limit its own deliveries to its own neighborhood. If you choose to go farther than that, be sure you charge enough to make the delivery worthwhile.

Delivery is expensive, and most florists do not charge enough to cover their actual costs. If your goal is to gain a new customer, a long-distance delivery probably won't be enough. Even after your over-the-top service, the faraway recipient probably still will use a local neighborhood florist the next time he or she wants to order.

Service your local area. Don't try to service someone else's area for customers you will likely never see again.



## NORMS

### FTE ANNUAL SALES



**T**his is the estimated average annual sales per full-time-equivalent (FTE) employee in retail flower shops. Two half-time employees equal one FTE.

This means the average compensation per employee (including the owner/manager) would be \$32,400 if the shop's payroll is 30% of sales. (Note that this includes payroll taxes and benefits.)

The precise numbers will vary by location and city size, but these averages are good general indicators.

*Source: Floral Finance Business Services*

*FLORAL FINANCE* is published 12 times a year by Teleflora LLC

Annual subscription rate is \$89.95 domestic and \$129.00 (Canadian) in Canada.

Copyright 2019 by Teleflora LLC  
All rights reserved.

Subscribers may use articles in other publications providing source is cited. Since every situation varies, appropriate legal or accounting advice or other expert assistance should be sought from a competent professional who understands that specific situation.

Consequently, although published material is intended to be accurate, neither *FLORAL FINANCE* nor any other party will assume liability for loss or damage as a result of reliance on this material.

Opinions expressed are not necessarily those of Teleflora.

*Please address your inquiries to the Editors of Floral Finance®, Teleflora LLC, 3737 NW 34th St., Oklahoma City, OK 73112.*