



Charging for Non-Design Labor

Weddings, Events, Decorating & Parties page 2



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QuickTakes

*Ideas You Can Put
to Work Immediately*

1 Mother's Day Planning

It's just around the corner. If you haven't already analyzed last year's Mother's Day sales and projected this year's sales, you're behind the curve.

By now, you should have ordered all your hard goods and identified your fresh product suppliers. Also, confirm that your promotions and advertising are planned and ready to go.

2 Mother's Day Specials

Now is the time to plan your Mother's Day specials. Not just the wire service specials, but also your own creations.

When done properly, recipe arrangements really help control cost of goods sold (COGS). Recipe arrangements also increase your designers' productivity. Just ensure they count every item to make every arrangement follow your pricing formula.

3 Administrative Professionals Day

Are you ready to promote your shop to local businesses?

Although Administrative Professionals Day isn't the holiday it used to be, it can still bring added sales. Pull up your list of customers from the last three years. They are prime prospects.

Use emails, phone calls and even personal visits (to drop off samples of what you can provide).



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CHOICES



Sometimes, circumstances seem to leave us with few choices.

The past year has been wrought with such situations. Waves of shutdowns; parents re-tooling

their lives to manage caring for young children while working; and, of course, businesses constantly having to adapt.

We would like to believe we control our lives. That is true only to a certain extent. However, we always have choices.

The choices often involve what we will do about a situation. Do we pursue option A or B? Do we strive on or quit?

However, the most important choice is how we will react. The pandemic has given us many opportunities to make choices in our reactions over the last year, and this will continue as we move into the next phase—as the “new normal” forms.

We can choose to be angry or calm. We can resign ourselves to our fate or be upbeat and creative as we move forward.

It's true that we often can't control our situation. But we always can control how we react. And that's important.

Your attitude in the face of a particular problem largely will determine where you end up. And it can impact others around you—how they are feeling and how they react.

A positive, calm, thoughtful attitude will carry you a long way, whatever situation arises.

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On the cover: Teleflora's
Farmhouse Chic Bouquet

Charging for Non-Design Labor



Weddings, Events, Decorating & Parties

One of your employees heads out to work on a customer's job. You're paying her from the moment she leaves until she walks back in. That's certain.

Less certain is how much you should charge your customer for the employee's time.



COST OF NON-DESIGN LABOR

To determine the appropriate charge for non-design labor, you need to know what the labor is costing you. The worker's hourly wage rate is just the start.

Social Security/Medicaid

You and the employee share this payroll tax. Each of you pays 7.65% (6.2% for Social Security and 1.45% for Medicaid).

Unemployment & Workers' Compensation Insurance

Federal unemployment insurance (FUTA) is only 0.8% on the first \$7,000 of wages in states with a separate unemployment charge.

State unemployment insurance (SUI) varies, depending upon your state and the number of past claims you have had.

Workers' compensation insurance varies by the type of work you do

and the number of previous claims.

It is safe to assume that these three items, when combined, will add a good 15% to your wage costs.

Holidays, Vacations & Sick Pay

Two weeks of vacation, five holidays and five sick days total 20 days off with pay—and add 8% to your payroll.

Granted, not every florist can afford to be this generous. Whatever your package, you have to account for the holidays, vacations and sick days you offer. Every five days will mean an extra 2% cost.

Health Insurance

Not many florists offer employee health insurance. Those who do usually pay only a portion of the cost.

Suppose you cover \$100 per month for the employee. That's \$1,200 per year. For a \$10-per-hour employee, this would amount



to a 6% benefit. For a \$15-per-hour employee, a 4% benefit.

If you pay more than \$100 per month, your cost as a percentage of the employee's wage is even higher.

Retirement Plans

Again, not many florists can contribute to an employee retirement plan. However, if you do, you'll need to include that additional cost in your total labor cost.

Bottom Line?

All taxes and benefits combined can easily exceed 30% of the actual wage.

Add it up for yourself:

Social Security	6.2%
Medicaid	1.45%
Unemployment/ Workers' Comp.	5%
Paid Days Off	2% to 8%
Health Insurance	0% to 30%
Retirement Plan	0% to 3%
TOTAL	14.65% to 53.65%

Even if you can't offer other benefits, payroll taxes will add at least 12.65% to your payroll cost.

Whatever your situation, the total cost probably is higher than you thought.

But charging your customer only what it costs to pay employees is not enough. We haven't yet considered overhead and profit.

Few employees can be productive 100% of the time. One of the largest overhead expenses is the cost of paying employees when they are not productive. Professional firms that bill by the hour usually figure they can bill about six hours a day.

Using that example, consider a designer making \$15 per hour. Taxes and benefits at 20% add \$3 to the wage rate, for a total of \$18. For an eight-hour day, the employee will cost you \$144 ($18 \times 8 = 144$).

If you only bill out six of the eight hours, you will need to charge \$24 per hour to break even ($24 \times 6 = 144$).

OVERHEAD & PROFIT

It is not unreasonable to double your actual wage cost to cover overhead and profit. In our example, that would be \$36 for the actual hourly rate and \$48 if you can bill only six hours a day.

Since employees are paid at different rates, you will either have to calculate a separate rate for each worker or strike some average.

Establishing an individual rate for each employee is the better way to go. The customer will pay more for the experienced designer and less for the assistant.

The Labor Rate Multipliers table (at right) does much of the work for you.

Column 1 is the percentage of taxes and benefits you pay.

The next two columns give a multiplier you can use to calculate the hourly fee you should charge for that employee.

Column 2 assumes the employee is productive all eight hours in a given day. Use this column when you want to charge for the actual hours worked on the job.

Column 3 assumes you want to charge enough to cover for two hours of down time in an eight-hour day.

HOURLY VS. FIXED CHARGES

Some customers are uncomfortable being charged by the hour. They want a fixed charge up front for the setup labor.

In this case, you have to estimate how long the job will take and how many employees will be needed.

Suppose, for example, you plan to use one employee who will cost \$45 per hour and another who will cost \$30 per hour. That's a total of \$75 per hour.



If you estimate the setup will take two hours, you could quote a fixed setup fee of \$150.

If the job takes more than two hours, you will eat the additional cost. On the other hand, if your employees are efficient and finish the setup in 1½ hours, you will make a little more than what you would have made charging by the hour. 🍷

Labor Rate Multipliers

Calculate the cost of payroll taxes and employee benefits as a percentage of your wage rates. Select the second column to charge for eight hours per day or the third column for six hours per day.

In the column you select, use the multiplier that matches your tax and benefits percentage. Multiply each hourly wage by the multiplier to determine your hourly charge for that employee's labor.

Percentage Taxes & Benefits	Charging Eight Hours Per Day	Charging Six Hours Per Day
10%	2.20	2.93
15%	2.30	3.07
20%	2.40	3.20
25%	2.50	3.33
30%	2.60	3.47
35%	2.70	3.60
40%	2.80	3.73
45%	2.90	3.87
50%	3.00	4.00

Note: The eight-hour column assumes your employees are productive 100% of the time. The six-hour column allows you to cover their eight-hour cost while only billing for six hours.

PRICING FORMULAS FOR WEDDINGS

WHAT'S THE BEST APPROACH?

Many florists think wedding business isn't profitable. They've tried and have concluded these jobs are too much work for the money.

Yet, other florists aggressively pursue wedding business. They claim they make good margins on wedding work.

Who is right?

Both.

Weddings can be profitable. But if you want to make a profit, you have to price them properly.

NO INDUSTRY STANDARD

There is no "correct" pricing formula for weddings. Just as there is no standard formula for other fresh arrangements.

Each shop has its own expense levels, wage rates, product costs and sales volumes. So, some florists must charge more than others.

However, following a few guidelines will make your wedding pricing formula more logical. And more profitable.

BASICS OF PRICING

Pricing any product is a matter of setting a logical charge for the various elements in that product.

Regular arrangements, for example, include labor, fresh product, a container and supplies. You must establish a retail price for each element.

Markups for container and supplies usually range from 2× to 2.5×. Fresh product, from 3× to 4.5× (the most common being 3.5×).

Labor charges typically run from 10% to 30% of the arrangement's retail price (the most common being 20%). Some florists increase their fresh product markup instead of adding a separate labor charge.

WHAT'S DIFFERENT ABOUT WEDDINGS?

Labor is the big issue on wedding pricing.

It takes more time to design wedding pieces. Your price also has to cover the time you spend on consultation, setup and teardown.

Many florists cover the additional wedding labor by increasing the

multiple on the fresh product. Some go as high as an 8× or 9× markup on wedding flowers. However, this is really a backward approach to the problem.

Look at other businesses that rely heavily on labor. House painting. Automobile repair. Carpentry. Beauty salons.

None of these businesses recoup their labor costs through a big markup on their products. Instead, they charge for their time. Directly. The customer usually pays more for the professional's time than for the products.

You, too, should focus on the labor when pricing a wedding. Don't hide it.

Keep your standard markup on most fresh product, containers and supplies. There may be a slightly higher markup for unique wedding supplies such as bouquet holders. However, product markups basically should be left alone.

It's only the labor component that you should worry about.

NOT ALL PIECES ARE CREATED EQUAL

Wedding work includes three separate types of labor.

By far the most labor-intensive are *hand-wired and taped wedding pieces*. It takes two to three times as long to design these as a regular arrangement with the same amount of product.

Second in intensity are *handheld bouquets with bouquet holders*. These require 1.5 to 2 times the labor in a regular arrangement with a comparable amount of product.

Altar and reception pieces, the third type of wedding work, are really no different than standard arrangement work. Use the labor component dictated by your regular pricing formula on these pieces.

Example

Assume that your standard labor charge is 20% of the retail price. How should you approach wedding labor?

All altar and reception work would use a 20% labor charge. No difference.

You might assign handheld bouquets a 35% labor charge. Almost double the standard.

On hand-wired and taped arrangements, you might use a 50% labor charge. About 2½ times the regular rate.

All fresh product, container and supplies in the wedding would get the same markup as non-wedding arrangements.

DELIVERY, SETUP & TEARDOWN

Wedding deliveries are more time consuming than funeral or hospital deliveries. Some wedding deliveries will occur at times when your shop is not normally open.

Break out separate delivery, setup and teardown charges. If the reception is at a different location than the wedding or you have to move pieces from the ceremony to the reception, there should be additional charges.

Consultation Charges

Should you charge for the consultation itself? Some shops do. The logic is that these meetings take a lot of time. However, such a policy has some serious problems.

A \$25 or \$50 fee will reduce the number of “shoppers” who take up a floral professional’s time. You know the type: People who are curious but not really serious about booking a wedding.

Another approach is to charge a consultation fee but credit it to the wedding fees when the event is booked. This will keep the customers serious, without causing any real economic loss to those who follow through.

While those arguments make sense, many customers would consider a fee to just talk to a salesperson an insult.

Would you pay a consultation fee to a car dealership, a jewelry store or a department store?

Probably not. Why should the customer pay for the “privilege” of talking to you?

The consultation is your time to sell. If you’re good at it and if the quality of your work is high, you shouldn’t have to charge for consultations. The revenue from your wedding jobs should be more than adequate.

All of this time comes at a real cost to you. You have a right to charge for your time and the time of your employees.

YEAR-ROUND PRICING

Weddings usually are planned months in advance. At the time of the consultation, you won’t know what your wholesale product costs will be when the wedding date arrives.

One solution is to set standard wedding product prices for the year (except for Valentine’s weddings, when you know the flower prices will be much higher).

With this approach, you simply “guesstimate” your average cost for each product during the year. Then apply your normal markup to get the price for that item. This approach will bring higher markups in the summer and lower markups during other seasons.

With a level pricing strategy, you won’t have to guess your likely product costs at the time of each individual wedding. You’ll be dealing with “average” costs. Much easier for you. And

much more consistent for the brides who come to your shop.

PRE-PRICED PACKAGES

An easy solution? Not really.

Most pre-priced packages don’t work well.

First, they give an appearance of inflexibility on the part of the florist. Brides like to feel that their wedding is special, not generic.

Second, package sales tend to undersell many

customers. Because the packages are designed to hit typical price points, you may miss out on larger sales. There’s not as much interaction between the salesperson and the customer. Neither party dreams as much.

Third, packages just don’t fit many customers’ needs. A plan that is “typical” can’t take into account the unique aspects of a particular wedding.

SALES APPROACH

During the consultation, avoid quoting prices on every piece the bride requests. Doing so could put you in the awkward position of quickly calculating or estimating prices. You’re bound to make errors. Maybe even big ones.

Instead, use the consultation to gain a broad understanding of the kinds of items the bride wants and her overall budget. Then, come back later with a quote that itemizes and summarizes the entire wedding.

The bottom line is what matters, not the prices on any individual item. If your bottom line is within the budget, you’re OK. If not, you can discuss changes that will get you there.

WEDDING PROFITS

Charge for your labor. Be careful in your consultations and proposals. When you do, you’ll see that weddings can be profitable.

Review your shop’s wedding pricing formulas. Make sure they provide the profit you deserve. 🍷





MARKETING INCOMING WIRE ORDERS

When searching for creative ways to increase your customer base and sales, don't overlook a great opportunity that is sitting in your lap: incoming wire orders.

UNIQUE OPPORTUNITY

Non-floral retailers struggle with how to introduce more customers to their products and services. Imagine such a retailer's excitement if someone came along and said, "I'll buy your products, and you can deliver them to potential local customers."

Although that rarely happens to other retailers, it's an everyday occurrence for retail florists. You get paid to deliver arrangements to individuals who otherwise might never experience your products or services.

Are you making the most of this marketing opportunity? How much effort do you devote to turning incoming wire order recipients into active, repeat customers?

MORE THAN A CARD

The extent of most florists' marketing to wires-in recipients is placing a business card on the arrangement. That's good, but it's only a start.

To maximize your incoming wires marketing opportunity, consider these seven factors.

1. Quality

It should go without saying: Whatever you deliver to a potential customer should be top quality, with a noticeably long shelf life.

Follow good care-and-handling techniques on all fresh product. You want your flowers to be impressive, long lasting and memorable.

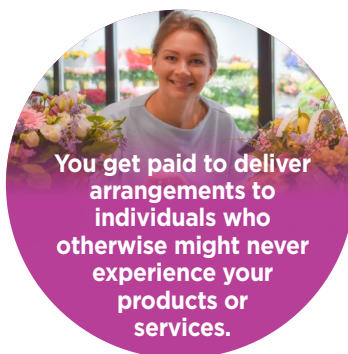
2. Delivery Courtesy and Service

Train your drivers to be friendly and eager to serve. They should smile, use the customer's name, explain proper

care and handling of the arrangement, and finish with a reminder of your "absolute satisfaction guarantee."

Incoming wire recipients need to sense that you care about them and will go out of your way to provide excellent service.

If the driver does not see the recipient, follow up later with those same messages.



3. Recipient Categorization

Some incoming wire orders go to individuals who have already purchased from your shop. Always give an extra special thanks to these established customers.

To do so, you'll have to track whether each wires-in delivery is destined for a prospect or a current customer. In each case, note the recipient's telephone number and occasion.

4. Follow-up Calls

Within a couple days of the delivery, call each recipient—except on illness and sympathy orders. A personal phone call will make a lasting impression.

Thank current customers for their business, and tell them how fun it was to deliver an arrangement to someone who normally is giving one.

Ask both current and potential customers if the arrangement is OK. Remind them of proper care-and-handling procedures. Reinforce your guarantee of satisfaction.

Finally, ask if there is any occasion or other need for which you could be of service. Ask for their business politely but directly. Don't be ashamed.

5. Sympathy Deliveries

You don't want to bother grieving families. However, you still want to get your message across.

A few days after the funeral, send the family a letter that conveys your sympathy and lists the flowers, colors and sender of each arrangement you delivered.

Another simple but helpful item to include is a laminated copy of the obituary notice, with your business card on the back. The obituary is certain to be saved. And your kindness will be remembered.

Be sensitive to the fact that "get well" arrangement recipients may not be feeling well for a while. As with sympathy customers, send a letter expressing your wishes and providing information on every arrangement you delivered.

6. Follow-up Mailings

No, these don't have to be special mailings. Just be sure to add the incoming wire recipients to your direct-mail and email lists. Treat them as members of your customer base. Before long, many will be.

7. Coupons

Last but not least, give these potential customers an incentive to visit your shop: a coupon. Make it generous enough to get their attention. And include an expiration date to create a sense of urgency. 🎯

Paying for College

Most people think they should start early to save for their kids' college education. They think that's the only way they'll be able to set enough aside.

There's a better way. One that will save you a bundle and still meet your goal. What is it?

PAY OFF YOUR MORTGAGE EARLY

When I was young, my father told me to wait, save my money, then pay cash for what I wanted.

Of course, I was sure I knew better. I decided to borrow, buy now and pay later.

It seemed like a good idea when inflation was high and my income was rising.

Now, I've changed my mind. My father was right. He knew two things:

1. The borrower is *always* a slave to the lender.
2. Every dollar of interest on non-business/investment loans (i.e., consumption loans) is one less dollar you will have to spend over your lifetime.

The average American pays hundreds of dollars per month in credit card interest. Waiting to purchase with cash would give us hundreds of dollars each month to spend on ourselves instead of giving it to a credit card company.

A QUICK LESSON

The typical American who purchases a home wants a 30-year mortgage to minimize the monthly payments—and the biggest home possible with those lower payments.

How smart is that strategy?

Not very.

Example: Suppose you borrow \$100,000 on a 30-year mortgage. Let's also assume a 6% interest rate. That's higher than you can get today but pretty typical over time. Here's the financial result:

Monthly payments: \$599.55
Total payments over 30 years: \$215,838 (\$599.55 x 360)
Total interest: \$115,838

That's right. The total interest is more than the amount you borrowed in the first place.

Now suppose you borrow the same \$100,000 at 6%; however, this time you take out a 15-year loan. What will that look like:

Monthly payments: \$843.86
Total payments over 15 years: \$151,894.80
Total interest: \$51,894.80

By paying \$244.31 more per month, you would save \$63,943.20 in interest.

Imagine what you could do with that money!

WHAT ABOUT THE TAX DEDUCTION?

Some will counter by saying that home mortgage interest is tax deductible. Doesn't that make up for it? No.

It doesn't make sense to spend a dollar to get 30¢ in savings. And that's exactly what you are doing with interest payments. Spending a dollar on a deductible interest expense saves only 30 cents or less in taxes.

You'll have more in your pocket by not paying the interest and shelling out a little more in income taxes. As nice as they can be, tax deductions won't help that much in this situation.

BETTER WAY TO PAY FOR COLLEGE

Many homeowners say they can't afford higher 15-year mortgage payments because they have to save for their children's college education.

Imagine paying off your home first. When your children go to college, you most likely can pay their monthly expenses out of what you would have paid on a mortgage. Your financial base is more secure. More money, not less, is available for education.

In fact, the \$63,943.20 in interest savings in the example could pay a substantial portion of a college education.

IT JUST MAKES SENSE

This strategy makes great sense with today's low mortgage interest rates. If your present mortgage rate is high, refinance the loan to get on a 15-year schedule.

If you have a good interest rate on a 30-year mortgage, increase your payment by a couple hundred dollars a month. Pay the loan off early.

You'll have more money in your pocket. You'll be more financially secure. And you can use the interest savings to pay for college. 🌸

FAMOUS FINANCIAL WORDS

"Beware of little expenses. A small leak will sink a great ship." — Benjamin Franklin

"I believe that through knowledge and discipline, financial peace is possible for all of us." — Dave Ramsey

"Never confuse the size of your paycheck with the size of your talent." — Marlon Brando

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INQUIRIES & ANSWERS Letters



SHARING THE LOAD

“Our shop’s health insurance premiums are more than we can afford. How can we shift some of the load to our employees?”

It’s not easy.

There’s no easy way to take a benefit away. But keep in mind, most retail florists do not provide health insurance for employees. It’s too expensive. Added to already big payroll costs, this benefit can drain the shop’s profitability. If that happens, everyone suffers.

So, be realistic. If you want to offer this benefit, calculate what you can afford. Then, let the employees know they will need to pick up the rest.



PARTNERSHIP FUNDAMENTALS

“What are the most important elements to look for when selecting a business partner?”

Trust, respect, an ability to work together and complementary skills—in that order.

A few simple precautions can minimize the risk that your contemplated partnership will become a statistic rather than a thriving business.

The biggest mistake is thinking that complementing technical skills are all it takes for a partnership to work. Maybe you are an experienced designer and your prospective partner has a good business mind. The division of labor seems perfect.

However, the talents you bring to the “marriage” are not the only consideration. Partnerships fail most often for other, more intangible reasons.

Remember, you will have to work with the partner. Day in and day out. Do you have the same goals? The same sense of ethics? The same tolerance for the demands the business will place on your lives? If you don’t want to take the business in the same direction, you are doomed before you get started.

Many partnerships work, and work well. Just be careful.



NORMS

FACILITIES COST



The average retail florist’s facilities cost is about 8.5% of sales. Rent. Utilities. Repairs. Maintenance. And facility insurance.

If you own your building, use a fair market rental rate to calculate that portion of facilities cost. Depending upon how fast you are paying off your note, your monthly payment may be higher or lower than a fair rental charge.

Floral Finance recommends that florists keep facilities cost at or below 10% of sales, to achieve good profitability.

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