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QUICKTAKES

*Ideas You Can Put
to Work Immediately*

1 'Old' Work Ethic

Business owners today often lament the apparent loss of a strong work ethic in today's employees. Too often, workers seem to be more committed to time off and leisure activities than to doing a good job.

However, one aspect of the new culture should be embraced: the idea that work should be fun. It makes sense. You and your employees spend more time at work than anywhere else. You ought to have a good time.

2 Incentives

What incentives have you given your employees lately? Are you making the workplace more fun? Don't forget: Happy workers are productive workers.

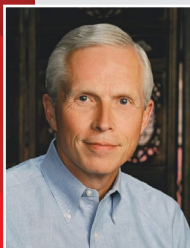
Plan something each week that will be fun for your employees. Be creative. Get their juices going. Yours will flow more freely as well.

3 Ending Drawn-Out Conversations

When you find yourself listening to someone who is providing way too much detail, here's a subtle way to end the conversation.

Once you know the point, interrupt and summarize it for the other person. If he or she agrees, you can politely say "Thanks" and move on.

FORCED CHANGES



The other day, I heard that a friend had been laid off in a corporate cutback. I bumped into her shortly thereafter and asked how she was coping.

A situation like that is never easy. My friend, for example, had just rented a new house; that was the bad news. But the landlord had insisted on a month-to-month lease; that was the good news.

And so the story went. Some things were really tough. Others, not so bad. The biggest issue was her uncertainty about the future.

Life sometimes forces us to do something we hadn't planned or don't want to do.

However, more often than not, situations that appear disastrous at first end up being a turning point for the better in our lives.

How many people do you know who, having lost their jobs, ended up in better ones or were able to head off in completely different directions that brought great success and fulfillment?

I can think of many such people, including myself. So, when setbacks occur, do more than accept them. See them as opportunities.

No matter how big challenges appear to be, they always contain the seeds for achievement. Handle them in a professional and mature way. Then, get on with your life.

There is always a future. The sun will still rise in the morning. A rough time is just a different beginning to the rest of your life.

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Delivery

*How
Much Does
It Really
Cost?*



Showing a solid profit is a challenge for most retail florists. One area that can hurt is not charging enough for deliveries.

Although there was a time when florists gave away deliveries, that is no longer the case. Delivery is a valuable service, and customers are perfectly willing to pay for it.

FedEx, UPS and the internet have made delivery charges an everyday occurrence. Customers expect to pay.

Now is a good time to review your delivery costs to see if you are making a profit on deliveries. Instead of looking at "average" delivery costs, we have broken down the expenses by category in this article so you can more closely approximate what your costs actually are.

LIFETIME COSTS OF A VAN

Purchase price
Average interest paid
Tax/tag first year
Tax/tag next 2 years
Tires – 3 sets
Repairs – \$500/year
Insurance – \$1,200/year
Tune-ups – 1
Oil changes – 49
Total lifetime costs

Is Expensive

KEY COMPONENTS OF DELIVERY COST

First is the **cost of the delivery vehicle**. Most florists use either a minivan or a full-size van. However, there is a growing trend to buy specialty vehicles (like the Honda Element or Ford Transit) for deliveries because of their fuel efficiency.

The initial cost of a minivan and a full-size van is about the same. The difference comes in hauling capacity and fuel efficiency.

The smaller Element or Transit will cost about \$5,000 less than either a minivan or a full-size van. So, you save some money up front and then save on gasoline as well.

VEHICLE COST ASSUMPTIONS

Lifetime mileage of van	150,000
Fuel efficiency	
Full-size van	9 mpg
Minivan	16 mpg
Element/Transit	25 mpg
Gasoline cost per gallon	Varies

Full-Size or Minivan	Element/Transit
\$22,000	\$16,000
4,000	2,910
1,000	1,000
400	400
1,500	1,500
3,000	3,000
3,600	3,600
200	200
1,470	1,470
\$37,170	\$30,080

A quick look at the **Vehicle Cost Assumptions** table reveals that a minivan or full-size van will cost slightly more than \$37,000 over its lifetime of service. The Element or Transit will cost about 20% less over their lifetimes, mainly due to the lower initial purchase price.

The second delivery cost component is the **cost of fuel**. Gasoline prices have been all over the ballpark in recent years. Today, the prices are low, but who knows for how long? In this example, we have assumed that a minivan will average about 16 miles per gallon in city driving, a full-size van about 9 miles per gallon, and the Element or Transit about 25.

The third cost component is **average miles per delivery**. To calculate this number for your shop, you need to know the number of deliveries you make each day and the number of miles driven to make those deliveries. By tracking this data for a couple of weeks, you will be able to determine how far you drive for your average delivery.

We have combined the first three items in the **Vehicle/Fuel Cost for Delivery** table (top of next page). Go down the left column to find your average miles per delivery. The next four columns show the number of lifetime deliveries you can

make with that average distance and the approximate vehicle cost for each of those deliveries.

The three columns for gasoline show the cost for a minivan, full-size van or the Element/Transit, based on an average cost of \$1.00 per gallon. Obviously, gasoline hasn't been \$1.00 per gallon for a long time. This is merely an easy way to index the cost. Simply take the cost of gasoline in the table and multiply that by your actual price per gallon.

Example: If the table says the cost of gasoline is \$0.25 (25¢) and you are paying \$2.40 per gallon, multiply 0.25×2.40 . It costs you \$0.60 (60¢) for the gasoline to make that delivery. Easy.

Labor is the fourth—and most expensive—delivery cost component. And, finally, the fifth item is the average number of deliveries your driver makes per hour.

The table on **Labor Cost of Delivery** at the bottom of page 4 combines these two variables. Go down the left-hand

continued on page 4



Gasoline prices have been all over the ballpark in recent years. Today, the prices are low, but who knows for how long?

VEHICLE/FUEL COST FOR DELIVERY

Average Miles per Delivery	Vehicle Lifetime Deliveries	Full-Size Vehicle Cost per Delivery	Minivan Vehicle Cost per Delivery	Element/Transit Vehicle Cost per Delivery	Full-Size Gasoline* Delivery	Minivan Gasoline* Delivery	Element/Transit Gasoline* Delivery
1.0	150,000	\$0.25	\$0.25	\$0.20	\$0.11	\$0.07	\$0.04
1.5	100,000	0.37	0.37	0.30	0.17	0.10	0.06
2.0	75,000	0.50	0.50	0.40	0.22	0.13	0.08
2.5	60,000	0.62	0.62	0.50	0.28	0.16	0.10
3.0	50,000	0.74	0.74	0.60	0.34	0.19	0.12
3.5	42,857	0.87	0.87	0.70	0.39	0.22	0.14
4.0	37,500	0.99	0.99	0.80	0.45	0.25	0.16
4.5	33,333	1.12	1.12	0.90	0.50	0.28	0.18
5.0	30,000	1.24	1.24	1.00	0.56	0.32	0.20
5.5	27,273	1.36	1.36	1.10	0.61	0.35	0.22

*Gasoline cost is based upon \$1.00 per gallon. To calculate actual cost, multiply the cost per delivery by the current cost of gasoline.

Delivery Cost Tables Source: Analysis from Floral Finance Business Services, Inc.

column to find your hourly wage rate. Then go across to the average number of deliveries you expect per hour to see your labor cost per delivery.

TOTAL COST

Adding three numbers gives your cost per delivery: the cost per delivery for labor (from the **Labor Cost of Delivery** table), the vehicle cost per delivery for your type of vehicle and the gasoline cost per delivery (from the **Vehicle/Fuel Cost for Delivery** table). The total of the three is your total cost per delivery.

Example: Suppose you drive a full-size van, you pay your drivers \$10.00 per hour, your drivers

average three deliveries per hour, deliveries average four miles and your gasoline is \$2.18 per gallon. Now let's look at the steps to determine cost of delivery.

Delivery is a valuable service, and customers are perfectly willing to pay for it.



1. Go to the \$10.00 wage rate in the first column of the **Labor Cost of Delivery** table. Your taxes

full-size van at a cost of \$0.99 per delivery for the van.

- For your gasoline cost, go to the 4 Miles row in the Full-Size Gasoline column and you get a gasoline cost of \$0.45. Now multiply that by your current cost of gasoline (let's assume you are paying \$2.18 per gallon), and you get \$0.98 as your total cost for gasoline for that delivery.
- Finally, add them all together: Labor of \$3.83, vehicle costs of \$0.99 and gasoline of \$0.98 gives a total cost per delivery of \$5.80.

WHAT ABOUT LONGER DELIVERIES?

If you want to know the vehicle and gasoline costs on longer deliveries, you can still use the table above. For example, if the distance is 20 miles, figure the cost to go 5 miles and then multiply that by 4.

Once you've gotten the vehicle and gasoline cost, then look at the labor cost. Approximately how long will it take to make that delivery?

One last tip: When making these calculations, remember that you need to figure the mileage and time for both directions. 🍷

LABOR COST OF DELIVERY

Wage Rate per Hour	Taxes + Benefits	Total Wage per Hour	NUMBER OF DELIVERIES PER HOUR — Cost per Delivery							
			2	2.5	3	3.5	4	4.5	5	5.5
\$7.00	\$1.05	\$8.05	\$4.03	\$3.22	\$2.68	\$2.30	\$2.01	\$1.79	\$1.61	\$1.46
7.50	1.13	8.63	4.31	3.45	2.88	2.46	2.16	1.92	1.73	1.57
8.00	1.20	9.20	4.60	3.68	3.07	2.63	2.30	2.04	1.84	1.67
8.50	1.28	9.78	4.89	3.91	3.26	2.79	2.44	2.17	1.96	1.78
9.00	1.35	10.35	5.18	4.14	3.45	2.96	2.59	2.30	2.07	1.88
9.50	1.43	10.93	5.46	4.37	3.64	3.12	2.73	2.43	2.19	1.99
10.00	1.50	11.50	5.75	4.60	3.83	3.29	2.88	2.56	2.30	2.09
10.50	1.58	12.08	6.04	4.83	4.03	3.45	3.02	2.68	2.42	2.20
11.00	1.65	12.65	6.33	5.06	4.22	3.61	3.16	2.81	2.53	2.30
11.50	1.73	13.23	6.61	5.29	4.41	3.78	3.31	2.94	2.65	2.40
12.00	1.80	13.80	6.90	5.52	4.60	3.94	3.45	3.07	2.76	2.51
12.50	1.88	14.38	7.19	5.75	4.79	4.11	3.59	3.19	2.88	2.61
13.00	1.95	14.95	7.48	5.98	4.98	4.27	3.74	3.32	2.99	2.72

CAN GIFTWARE INCREASE YOUR BUSINESS?

The ABCs of Gifts

When retail florists look for ways to maximize sales, gifts often come to mind. Gifts seem like a natural complement to the flowers and accessories they already are selling.

Makes sense. But there are many things to consider before jumping into giftware in a big way.

WILL GIFTWARE WORK FOR ME?

There's no question about it. The gift business is different from the flower business—even though most florists think of flowers as part of the gift trade.

The difference lies not so much in the products as in the way retail florists and gift retailers conduct their businesses. Most gift retailers sell to customers who walk into the store to shop and then walk out with their purchases. Florists, on the other hand, deliver most of what they sell. Most floral customers do not physically enter the shop.

Consequently, the first question to ask is whether or not your business is conducive to selling giftware. Do a good percentage of your customers come into the shop to place their orders? You won't sell many gift items over the phone. Customers usually want to see what they are buying.

If you have a solid number of walk-in customers, the odds are pretty good that you can introduce a gift line and be successful. But you still have to ask some additional questions.

WHAT KIND OF GIFTS WORK BEST?

It would be nice if there were a simple answer to that question. Unfortunately, giftware strategies are as varied as the number of florists who want to give gifts a try.

Some will go for a very traditional line, including cards and candles. Others will venture into frames or collectibles. Others will add gourmet items or kitchenware.

Although the alternatives are many, there are common characteristics that spell success.

Stand Out From the Crowd

A retail florist is not a mass marketer. You offer a much more personal, intimate sales environment. A boutique atmosphere. Therein is the key to your success in giftware.

When you can find a local vendor with a unique product that is not sold elsewhere in town, that's even better.

You need to be unique. If your customers can find the same items you sell at a local mass merchandiser, they will. And you will be left with overstocked shelves.

Consequently, your gift line needs to be very selective. Look for relatively new manufacturers or suppliers. Ones that do not yet have a national presence.

When you can find a local vendor with a unique product that is not sold elsewhere in town, that's even better. Handmade craft items often fit well in a flower shop.

Some florists concentrate exclusively on items made in their city or state. Mass merchandisers typically do not (or cannot) carry these unique, limited distribution lines.

Try Gift Shows

There are many gift shows around the country. Take a couple of days to visit one. You'll find a broad selection of giftware items.

Attending a gift show will help you learn the latest trends. You don't have to walk too many aisles before the hot designer colors and ideas will become obvious.

Of course, attending gift shows requires a little planning. You'll have to start thinking about Christmas in July.

The same attention to uniqueness applies to purchasing at gift shows. Even though the exhibitors at gift shows tend to be larger manufacturers and suppliers, you will find a good number of vendors that still have limited exposure.

If you don't travel to summertime Christmas shows, you'll have to look to your local market before December rolls around.

Either way, make sure you are buying products your customers will want — and that are not sold elsewhere in your area.

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WHAT SOME RETAILERS EXPERIENCE

You won't double your sales overnight by adding gift lines. However, you might be surprised at the impact giftware can have over time. Many retail florists who started with a small gift line eventually found themselves elbow-deep in the business.

One particularly promotion-minded husband-wife team we know started as a nursery business. Then, they added fresh flowers. As the floral portion of the business grew, they decided to add some gifts.

The wife was quite an experienced and creative cook. Her interest led them to add cooking and gourmet products to the gift line. Soon they had a full line of gourmet kitchenware. Tabletop and glassware came next.

Unique cards and candles soon were

making their presence felt at the cash register.

Next, they added a line of upscale women's casual wear. That, too, was successful. A virtual mini-department store soon was in the making.

Although this business never lost its image as a premier florist, flower sales eventually represented only a quarter of its total sales volume. A perfect example of how gift sales can grow a business.

Since flowers are used so frequently in decorating, you might find that customers coming through the front door will warm up to gift items that also are appropriate for decorating.

Although your experience probably won't be quite as dramatic, gifts can become a solid addition to your sales mix.

HOW MUCH SHOULD I BUY?

It is easy to get excited about selling new gift items. Especially those you personally like. But resist overstocking.

When you buy, think of both the width and the depth of the line. The wider the line, the more different products or product variations. Depth, on the other hand, has to do with how much of a given item you buy.

Keep the word "test" in mind. It'll keep you out of trouble.

The big marketers learned a long time ago to test-market new ideas and products. They buy just enough to measure response before committing to larger quantities.

The smaller your business and the newer you are to selling gifts, the more important it is to limit your purchases. Try a few items first. Enough to make a good display without filling up the shelves in the back room.

Once you see how they are selling, you can reorder. Don't make

your line too wide or too deep. Many florists have ended up with shelves full of products that didn't sell. It's disappointing and hard on the pocketbook.

HOW DO I GAUGE SUCCESS?

Once you get into the gift business, how will you know if your results are worth bragging about?

Retail florists are spoiled when it comes to fresh flower inventory turns (how quickly products are sold). The average florist turns perishable products a couple of times a week. Well over 100 times a year.

That's not what the gift business is like. Many gift retailers are happy with two turns a year. Those doing three turns a year are excited.

Suppose you have \$5,000 in gift inventory and you use a 2× pricing markup. In other words, you will sell that \$5,000 worth of products for \$10,000.

Each time you sell \$10,000 of gifts, you've turned your inventory once.

You can reasonably expect a \$5,000 gift inventory to yield at least \$20,000 worth of gift sales a year (when using a 2× markup).

Of course, some of your selections will sell well and others not so well. Capitalize on the good sellers by promoting and reordering so you have more stock on hand.

Reduce the price of products that don't sell. Turn that inventory back into cash and experiment with something else. Don't let slow-moving items sit there collecting dust in the hope that someone will come along to buy them. Be proactive. Get them out the door.

WHEN IS THE BEST TIME TO ADD A GIFT LINE?

"Shoot the ducks while they're flying."

Don't add a gift line in June when you are staring at six months of non-holiday sales volume. The best time to start selling gifts is the Christmas season.

Your naturally increasing holiday business gives you the perfect opportunity to test some of your ideas. And the winter holiday season is perfect for offering unique ornaments, potpourri or other Christmas decorative accessories.

Of course, to sell gifts at Christmas you will need to think about buying in July.

WHAT'S THE DOWNSIDE?

The major downside of gift sales? You have to tie up a significant amount of cash to stock your inventory. And if those products don't move, you may have to add other items that you hope will do better.

If you aren't careful, you can easily tie up \$20,000 or \$30,000 in inventory. And it is very difficult to get your cash out of obsolete inventory.

So "caution" is a good word to remember—and "go slow" should be a cardinal rule.

If you pick the wrong product, it will quickly drain your cash.

But if you select the right giftware line, you'll enjoy a nice boost to your sales. 🌿

CHARGING FOR DESIGN LABOR

Keeping design labor cost targets in their proper place can be a challenge. For example, *Floral Finance* says that labor should be no more than 30% of sales and that design labor no more than 10% of design sales.

Then we turn around and say that the most common charge for labor is 20% of the retail price of the arrangement. How do all these different numbers work together?

To keep everything straight, remember that there are basically two different types of numbers:

1. The amount the labor costs you;
2. The amount you charge your customers for that labor.

LABOR MARKUPS

If you are paying \$15 per hour for a designer (including taxes and benefits), how much should you charge: \$15, \$20, \$30 or more?

Mark up your labor just as you mark up the products you sell. After all, you have overhead to cover. Most florists use a double markup on hard goods and gifts. It is appropriate to use the same markup on labor. Furthermore, it is reasonable for you to make a profit on labor.

In fact, that is what the most popular pricing formula attempts to do. That formula calls for a 3.5× markup on fresh flowers and foliage, a 2× markup on the container and supplies, and a labor charge equal to 20% of the retail price.

If you are properly controlling design labor costs, the 20% equals a 2× markup. That's because a good target for the cost of design labor is 10% of the retail price of the arrangement.

But you can't just decide to double your labor cost without considering the

other side of the labor equation: productivity.

To get a double markup on your labor without customer resistance, your designers need to be productive.

To get a double markup on your labor without customer resistance, your designers need to be productive.

The secret to making money on design labor? Keep your designers busy. The more your designers produce each hour, the greater the return on your labor.

THE BEST METHOD

For design work, set a formula that includes your labor charge as a percentage of the retail price of the arrangement.

With this approach, your labor charge will be consistent from the customer's perspective. The same amount

for any given size arrangement.

From a profit perspective, how much you will make off your design labor depends on the designers' productivity. During slow periods, your design labor costs may creep above 10 percent, and you won't quite get a double markup.

However, during busy times—especially holidays—your design labor cost will drop below 10 percent and you will make more than double on the labor.

PRODUCTIVITY TIPS

You'll be most productive when you can tap into production design techniques. Use these assembly line methods whenever your volume is large enough.

At other times, use standard arrangements. They will help you control your cost of goods sold (COGS). And your designers will be much more efficient.

Finally, if your volume allows, at least have the designers make more than one arrangement at a time. Two or three of the same item will ensure higher productivity. Put the extras in the cooler—ready for your customers to buy. 🌸

FAMOUS FINANCIAL WORDS by Frank McKinney Hubbard

"Honesty pays, but it don't seem to pay enough to suit some people."

"If at first you do succeed, don't take any more chances."

"The rich man and his daughter are soon parted."

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I N Q U I R I E S & A N S W E R S LETTERS

EFFICIENT DELIVERY

"Is there a quick way to know how many deliveries I can expect from a driver?"

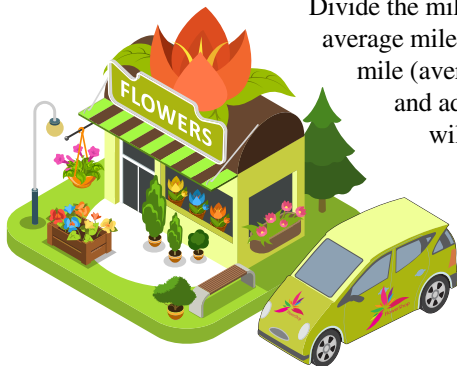
Yes.

Basically, you need to know how long it takes to make a single delivery. For the next week, track the mileage and the number of stops on all your delivery trips.

Divide the mileage by the number of stops to get the average miles per delivery. Assume two minutes per mile (average of 30 miles per hour) for drive time, and add five minutes for the actual delivery. That will give your average time per delivery.

Divide that time into the number of hours available for delivery and you will have your answer.

Remember that drivers will make more deliveries in less time if multiple arrangements are dropped at a single location like a hospital or funeral home.



HOLDING ON TO CASH

"What's the rule on paying bills if I want to keep my cash as long as possible?"

Mail payments on the due date.

If you date and mail the check on the date the invoice is due, most suppliers will count the payment as being on time. Watch for exceptions that clearly state that payment must be received by the due date.

There are two ways to make stretching your cash even easier.

First, use one of those expandable folders with a slot for each day of the month. File each invoice in the slot for the day it is to be paid. Then, process the payables as they come due.

Second, on recurring bills, such as utilities, set up an automatic withdrawal from your checking account. You will be forewarned of the payment amount and date to mark in your checkbook. The money will be taken out precisely on the due date. No earlier. No later. And no hassles.

NORMS

VALENTINE'S PICKUPS



50%

This is the average percentage of Valentine's Day arrangements that customers pick up.

To get this answer, we conducted an informal survey of florists last year. Not too scientific, but very interesting. If you've never looked at this statistic for your shop, check the data in your point-of-sale (POS) system.

That information will help you plan holiday deliveries. You also will find out how many customers you can expect.

Make the most of this marketing opportunity. Spruce up and decorate so the shop looks spectacular. Give walk-in customers something extra special—maybe a coupon for a follow-up visit.

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