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## QuickTakes

*Ideas You Can Put  
to Work Immediately*

### 1 Embrace the Battle

In hectic times, don't lose sight of what's important. Achieving a goal rarely brings the satisfaction you expect. More often, you will find yourself thinking, "Is that all there is?"

Remember, the journey is the destination. If you don't enjoy what you're doing, you're missing the real stuff of life.



### 2 Which Preservative to Use?

Floral preservatives don't always live up to their claims. Usually because of the water being used.

To discover the best preservative for your local water, you'll need to test several brands. Place flowers in bud vases containing the preservatives you want to test. One vase for each different brand. Use the recommended concentration. Keep the "test tubes" at room temperature.

After a few days, check to see which flowers are thriving. That will tell you the preservative that works best with your water.



### 3 Oscillate Activities

Do you get tired before the day is done?

If so, learn to make waves. Not the kind of waves that upset people. Rather, the kind of waves that bring variety to your day.

Rotate sedentary activities and tasks with more active ones. You'll have more energy. Work will be more varied and more enjoyable.



## EMPLOYEE SATISFACTION & THE BOTTOM LINE



Some business owners see employees as a means to an end.

They hire people to work so the business can serve its customers and make a profit.

How they treat employees is not the most important concern. The people are expendable and replaceable.

The problem with that line of thinking? It's not true.

Running a successful business is not just about serving customers and making a profit. It's also about treating employees with dignity and respect.

The market research firm A.C. Nielsen has conducted regular surveys to tie business results to various operational variables.

Guess what? When employee satisfaction rises, financial results usually improve.

A Monsanto survey revealed similar results. Employees who were satisfied with their jobs and their work/life balance were the best predictors of customer satisfaction.

So, if you want satisfied customers and a strong bottom line, make sure your employees are happy.

You won't get the best results by making unreasonable demands of your employees. Servant leadership is the best management model.

Figure out how to best serve your employees. They'll be happier. Your customers will be, too. And your business will be stronger.

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On the cover: Teleflora's  
Happy Hydrangea - Blue

# How Much Can One Designer Handle?

## More Than You Might Think



Can a shop with \$325,000 in arrangement sales get by with one designer per day?

Well, let's see ...

Take 52 weeks. If the shop is open six days per week, that's 312 workdays.

The math is easy:

**\$325,000 / 312 = \$1,042 in retail arrangements per day**

That level is certainly possible—especially if the shop uses production design techniques.

However, many shops would find that much production a stretch at times.

So, let's rephrase the question:

For how much of the year can a \$325,000 shop get by with just one designer?

The answer to this question might surprise you.

### SLOW PERIODS

While the retail flower business is typically thought to be cyclical, your sales actually are fairly consistent for most of the year.

February, April, May and December are not really holiday "months." They are months that contain holidays.

There's a big difference.

For example, the Valentine's rush lasts only three to five days for the average florist. Certainly not the whole month of February.

The same is true for the other holiday months.

In fact, only 29 to 43 days per year bring true holiday volumes that will require extra design labor. The rest of the year has fairly consistent non-holiday sales levels.

### 11 Slow Months

That's right. You have predictable and fairly flat sales for 10½ to 11 months of the year.

In the typical retail flower shop, holiday volume accounts for just 23% of annual sales. A

whopping 77% comes from regular, day-in and day-out business.

That means our hypothetical \$325,000 shop does roughly \$75,000

A designer  
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minutes.





in holiday sales and \$250,000 in everyday business.

Everyday sales (sympathy work, hospital deliveries, birthdays and other non-holiday flowers) happen throughout the year—even on holidays. So, dividing that \$250,000 by 52 gives the shop's average non-holiday weekly sales volume:

$$\text{\$250,000} / 52 = \text{\$4,808}$$

A shop grossing \$325,000 annually will have about \$4,800 in non-holiday sales per week.

### **\$800 per Day**

If this shop stays open six days a week, that's about \$800 in non-holiday sales each day.

Of course, unexpected funerals and other blips will cause some days to be higher than others. However, our research shows that non-holiday weekly sales are amazingly level throughout the year.

Most shops also have a fairly predictable weekly sales pattern. To find your shop's pattern:

1. Take four non-holiday weeks.
2. Add up arrangement sales for all the Mondays, Tuesdays, Wednesdays, etc.
3. Divide each day's total by four.

The answers are your average non-holiday sales for each day of the week.

## **SOLID PRODUCTIVITY**

The next step is to figure out how much a designer can reasonably be expected to produce.

Let's assume a full-time designer will design for 6 hours per day. That's 75% of the 8-hour day.

A designer working at a reasonable speed can put together an average arrangement in 15 minutes. That's four arrangements per hour. Or 24 in a 6-hour day.

If the shop's average order is \$55, that translates to \$220 in designs per hour—or \$1,320 in 6 hours.

In a production design environment (where the designer makes multiple copies of the same arrangement), you can expect even higher productivity.

## **A REAL EYE-OPENER**

The numbers don't lie.

Our \$325,000 shop has an average sales level of \$800 per day during non-holiday periods. But the average designer can produce more than that.

So, the average shop doing \$325,000 in annual sales can easily get by with the equivalent of one full-time designer for 10½ to 11 months of the year.

You're probably shaking your head. "That may be true in theory, but I run a real business that faces surprises and crises every week."

Before throwing in the towel, let's look at some of those surprises and crises. Are they really the obstacles you think they are?

## **AVERAGE DAYS**

One objection might be that no flower shop has one "average" day after another. Scheduling a single designer for 8 hours every day wouldn't match the shop's ebbs and flows.

Quite true. Days do vary.

However, your weekly volume is fairly predictable. And your average daily sales show what you can expect for most days.

Instead of thinking of a full-time designer who is in the shop 8 hours

every day, think in terms of "full-time equivalents."

Each \$1,320 of design work requires 8 hours of time. But those hours don't have to come from the same person. And 48 hours of needed design time per week doesn't necessarily mean 8 hours per day. Some days may demand 16 hours of design work; others, only 4 or 6.

## **EMERGENCIES**

What about emergencies? For example, Mondays that bring an unexpected funeral surge?

Emergencies are a part of every business' life. They can never be eliminated. But your average sales figures are a good indication of what most days will be like.

On the days that are a little slow, design ahead. Put a few arrangements in the cooler.

On days that are busier than expected, everyone who is available will need to help out. You can handle most emergencies with short bursts of activity.

If you find your "emergency days" becoming more the rule than the exception, adjust your daily design time accordingly.

## **CONCLUSION**

The typical flower shop is overstaffed during non-holiday periods.

Take a look at your own operation. Run the numbers. Allocate and assign staff in light of the principles in this article.

You can save payroll dollars and still serve your customers well. 🌸





# DESIGNERS & PROFITS

## Making Creativity Pay

**B**y almost any measure, a flower shop revolves around design. The first person hired is usually a designer. Over time, designers are the shop's highest paid and most numerous employees.

It's not surprising. Design is the shop's engine. Beautiful arrangements must be created every day.

In any business, the more important the position, the greater the responsibility that goes with it. In a flower shop, that principle applies directly to the design team.

The designers carry a greater load than other employees. They are in a position to help—or hurt—the shop in several strategic areas.

### IMAGE

While not every customer will see your shop, they will see your product.

Design creativity helps build your image. Are the shop's arrangements

With proper care and attention to chain-of-life procedures, designers can ensure that your fresh products have a long shelf life.

### PROFITABILITY

A business could survive without profits, providing it had enough money to pay all the bills. If the shop's revenue exactly matched what

was needed to buy flowers, pay salaries and cover the rent and overhead, there would be no problem.

But is that possible in the real world? Of course not.

Practically speaking, profit is a requirement. Profit allows for expansion. New equipment. A cushion for economic downturns. And a fair return on

the money invested to start and maintain the business.

Designers have a direct impact on profitability because they control the cost of the product.

### ONE EXTRA FLOWER?

For most non-floral retailers, cost of goods sold (COGS) control is not a concern.

Take a shoe store. The owner buys and resells finished products. The cost of the product is determined before the shoes ever arrive in the store.

Not so in a flower shop. You buy various raw materials. Then, you assemble them into a completely different finished product.

The designers control this manufacturing process. The amount of product in an arrangement determines whether that arrangement will be profitable.

Stuffing—putting in extra flowers without charging the customer for them—is a major cause of low profitability. And that is strictly in the hands of the designers.

See the table to the right. An average of just one extra flower in each arrangement can reduce a shop's bottom line profitability by as much as 1% to 3.5% of sales. Maybe more. Since the typical flower shop's profit is less than 5%, there's not much room to spare.

Even during non-holiday times, the best rule is to never make just one of any arrangement.

something special—or predictable? Each designer is responsible for maintaining the shop's creative reputation.

Maintaining product quality is just as important. Even the most exciting visual presentation creates only a first impression. A customers' lasting reaction is a function of how long the flowers stay beautiful.



And the bigger problem is that a designer who is inclined to stuff rarely puts in just one extra flower. Usually, it's two or three. At that rate, all the profit will quickly disappear.

## THE COST OF STUFFING

Assume an average order size of \$50. That means for every \$100,000 in arrangement business, the shop will sell 2,000 arrangements. Here are three examples of how much one extra stem in each arrangement would cost:

Flower	Annual Loss
Carnation (35¢ each)	\$ 700
Alstroemeria (53¢ each)	\$1,060
Asiatic Lily (\$1.23 each)	\$2,460

*Note: Prices vary across the country. Use your own prices to see the cost of stuffing to you.*

## DESIGN ROOM CONTROL

Everything that goes into an arrangement must be counted and priced out. The total amount of product (at retail) in an arrangement cannot exceed the retail price.

Effective design room control is a several-step-process:

### 1. Pricing Formulas

Profitability becomes possible when you establish an adequate retail price.

It's not enough to stand back, look at an arrangement and say, "That looks like about a \$50 piece."

You need to follow a sound pricing formula. Here's one typical formula:

## PRICING FORMULA

Labor	20% of retail
Container/Supplies	2.0× cost*
Flowers/Foliage	3.5× cost*

*\*Cost includes any freight, box, drop or delivery charges.*

This pricing formula will yield an overall COGS of 26% to 28%. If you decide not to use a labor charge, that will bring COGS up to 33%.

Stuffing is not the only obstacle to COGS control. Failing to charge for supplies is another. Supplies may seem like an incidental matter. They are not.

Typically, the cost of supplies (including enclosure cards, delivery

boxes, foam, pics, etc.) will equal 3% of arrangement COGS. With a 2× markup, that means supplies account for 6% of the retail price.

And don't forget containers. Simple utility containers represent 5% of the arrangement price at cost or 10% at retail. Better containers take up an even bigger chunk.

If the designers are not sensitive to stuffing, supplies and container costs as they design, it will be very difficult to make a good profit.

### 2. Retail Prices

For simplicity, designers should work with retail prices in the design room.

Why? It's just easier. Designers who work off costs will have to convert to retail at some point. Life is much easier if they simply use retail prices from the start.

Under the pricing formula in column one, the container cost would be doubled. Flowers and foliage would be marked up 3.5× their costs.

Since supplies are so difficult to track, *Floral Finance* recommends allocating a set amount for that component. Allocating 6% of the retail price for supplies is a safe strategy.

### 3. Design Room Control Forms

Consistent use of design room control forms will keep your pricing on track.

Start with the target retail price for the piece. Subtract the labor charge, the retail price of the container and your standard allocation for supplies.

What's left is the amount of money (at retail) available for flowers and foliage.

The designers can keep adding fresh products until that money is used up. Then, they must stop. Immediately. Adding even a single extra stem is stuffing.

Use a separate control form for every arrangement you sell. Or simply note the pricing on the work ticket.

Whenever you have an in-house or wire service special, the form only has to be completed once. As long as the designers follow the recipe on subsequent copies, COGS will be on target.

Careful attention to pricing doesn't stifle the designers' creativity. Just the opposite. It actually takes more creativ-

ity to make a beautiful arrangement using a limited amount of product.

## PRODUCTIVITY

How much work should a designer produce in a day?

As discussed in the article on page 2, it is reasonable to expect a designer to produce one average (\$55) arrangement in 15 minutes. That translates to \$220 per hour at retail.

If you assume the designer is only productive for 6 hours in an 8-hour shift, that's \$1,320 of designs per day at retail.

You should see even greater productivity at holidays. The higher volume allows you to use more efficient production design techniques.

Designers who are concerned about profitability will set personal goals to keep their productivity up. If business is slack, they will design ahead as much as possible.

Each designer is responsible for maintaining the shop's creative reputation.

Even during non-holiday times, the best rule is to never make just one of any arrangement. Most flower shops have enough volume to justify at least two of every design. The time required to make the second piece is minimal. Productivity automatically will increase.

Larger shops can increase their minimum to three or four of each design.

## IT'S IN YOUR HANDS

Flower shop profitability depends on the design room. Whether good or bad, every designer has a big impact on the shop's bottom line.

Designers: take the time and care to ensure that you don't put any extra product in your creations. And keep your productivity as high as possible, even during non-holiday periods. You'll help ensure the shop's success ... increase the stability of your position ... and make it possible for the owner to pay competitive wages. 🌸

# Illegal Practices

## Are They Worth It?

**S**ome legal missteps result from a misunderstanding about the law's requirements.

Others aren't quite so innocent. Financial pressure may cause an owner to bend his or her principles. Anywhere from a little "white lie" to an outright fraud.

There are no good reasons to break the law. For moral reasons, of course. But also because of the potential consequences to you or your business.

Here are the most common illegal business practices.



### PAYROLL TAXES

One dangerous action is not depositing payroll taxes on time. When cash is short, you use whatever funds you have to meet other business obligations, rather than making required tax deposits.

Do this more than once and you soon could owe thousands of dollars in back taxes and penalties. You may end up with a debt you can never repay out of your operating income.

Remember, payroll tax obligations NEVER go away. Even if the business fails and you declare bankruptcy, back payroll taxes are not forgiven. You'll come out of bankruptcy still owing the money.

Play it safe. Always pay your payroll taxes on time.

### SALES TAXES

Sales taxes add up quickly. If you're living off sales tax collections instead of setting that money aside, you are headed for trouble. Sales tax penalties and interest can be stiff.

If you have a hard time keeping your hands off sales tax receipts, open a separate bank account for these funds. As you collect sales tax, make daily deposits in this new account.

### PAYING EMPLOYEES IN CASH

It's not always easy to find good workers. If an apparently qualified job applicant asks to be paid in cash, you

might be tempted to say "yes." After all, that seems like a fairly minor accommodation.

Don't do it. Anyone who wants to be paid in cash is trying to evade income taxes. That's both illegal and immoral. Not something you want to promote.

Put all employees on the payroll and withhold the appropriate taxes. Any other system is illegal and could subject your business to sizeable penalties.

Don't hire any job candidate who isn't willing to be paid through your regular payroll system.

### REBATE CHECKS

It might be tempting to pocket your wire service rebate check. Just cash it and spend the money as you wish—instead of depositing the check in the company's bank account.

That rebate check is revenue to your business. It should be reported as income on your financial statements and tax returns.

The same holds true on any other check you receive from a supplier. An insurance refund. A volume discount reimbursement. A refund for returned merchandise.

Each is revenue to the business and must be reported as such.

### SKIMMING

Skimming occurs when an owner pockets money from cash sales rather

than ringing the sales up at the register.

Once again, this is tax evasion. That money is income to the business and should be reported as such.

If a sales clerk kept a customer's cash, you would call it stealing.

It also is stealing if you do it. Ring up all cash sales properly.

### LIFE IS TOO SHORT

There are so many better ways to make money in the retail flower business than by breaking the law. Work to maximize those legal opportunities.

Control your cost of goods sold (COGS) and payroll. Become an aggressive marketer. Make money the right way—by running a solid business. Not by taking shortcuts. 🌸

### LEGAL DOS & DON'TS

- **Do** pay payroll taxes on time.
- **Do** collect and pay sales taxes on time.
- **Don't** pay employees in cash without proper tax withholdings.
- **Don't** pocket rebate or refund checks.
- **Don't** skim cash receipts.



# Pricing Arrangements | Does It Have to Be So Complex?

As mentioned on page 5, the most common arrangement pricing formula is:

Labor	20% of the retail price
Container/Supplies	2× markup
Flowers & Foliage	3.5× markup

The formula yields a cost of goods sold (COGS) of 26% to 28%.

So, why not just mark up every item you sell 4×? Wouldn't you get the same result?

It's a good question. That certainly would be a simpler approach. However, that simplicity could hurt your sales and, in the long haul, lead you astray.

## COMPETITIVE PRICES

To be successful, your prices must be competitive. If you charge too much, customers eventually will go to a competitor. If you don't charge enough, you won't make a reasonable profit.

Take fresh flowers. Most florists sell fresh flowers loose and arranged. Some shops use a different markup for loose flowers than for those sold in arrangements. Others charge the same price per stem—whether loose or arranged.

An across-the-board 4× markup will not keep you competitive with other fresh flower competitors. You will lose sales.

Many florists also sell containers and supplies separately. A 4× markup on those items is way too high. It's just not competitive.

## THE LONG HAUL

Think back about 35 years. Most florists did not include a labor charge in their pricing. They simply marked up fresh product enough to cover their design labor costs.

However, two things happened.

Flower growing went overseas. That lowered wholesale flower prices. In fact, wholesale prices have not kept up with the rate of inflation. Relatively speaking, flowers are less expensive today than they were 35 years ago.

At the same time, wages increased right along with inflation.

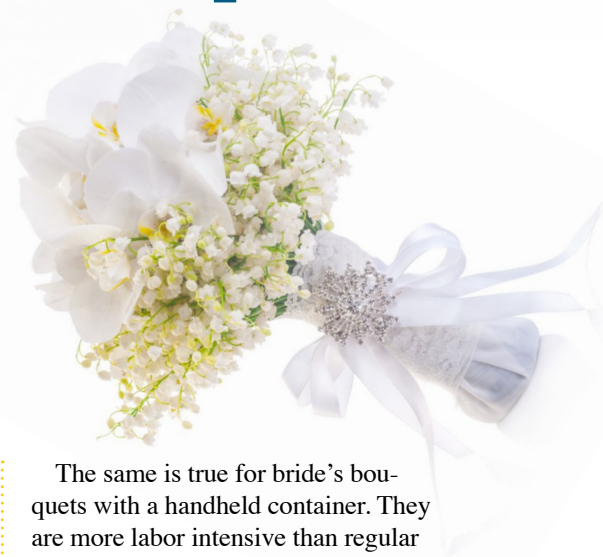
As a result, a standard fresh flower markup could not cover the increased labor costs.

The obvious solution was for retailers to price different items differently—and, most important of all, to add a design labor charge to their pricing formula. This approach allows pricing adjustments to be made in the exact spot where they are needed.

## DIFFERENT TYPES OF ARRANGEMENTS

By pricing each element separately, you can more accurately account for the labor in different kinds of design work.

Relative to the retail price of each item, designing a regular arrangement takes much less time than putting a corsage or boutonniere together. Wiring and taping individual flowers is time-consuming and, therefore, expensive.



The same is true for bride's bouquets with a handheld container. They are more labor intensive than regular arrangements.

The solution is to keep the hard goods, flowers and foliage pricing constant in all designs, but change the labor charge to fit each piece. Make the proper adjustment right where it is needed.

For example, you might use a labor charge of 20% for standard arrangements, 35% for handheld bouquets and 50% for anything that is hand wired and taped.

## FLEXIBILITY & ACCURACY

Pricing each element separately gives you more flexibility and results in the right price for each design. 🌸

## FAMOUS FINANCIAL WORDS

"Anyone can do any amount of work, provided it isn't the work he is supposed to be doing at the moment." —Robert Benchley

"A thought which does not result in action is nothing much, and an action which does not proceed from a thought is nothing at all." —Georges Bernanos

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# INQUIRIES & ANSWERS Letters

## CHECK ON IT

*"A customer's check for a big decorating order just bounced. Unfortunately, we didn't find out until after we finished the job. Is there anything we can do to prevent this from happening again?"*

### Definitely.

Although you can't stop customers from writing bad checks, you can protect your business from calamity. In future cases, simply call the bank on which the customer's check will be drawn. The bank won't tell you how much is in the account, but they can confirm whether there are sufficient funds to clear the check.

It's not practical—or wise—to do this for every check your shop receives. However, for large drafts—say \$500 or more—the practice can provide a measure of protection.

By the way, getting your money so late on a big job is very dangerous. Next time, require a 50% deposit before you start work and the balance before you finish the job.

## IT'S A CRIME

*"Last month, I dismissed an employee after he was convicted of a crime. Now he's threatening me with a lawsuit. The law is on my side here, isn't it?"*

### Not necessarily.

Whether the dismissal is justified depends on three factors: Your state's law. Whether the crime occurred at or away from the shop. And if the crime is job-related.

Some states give employers great latitude on hiring and firing. In these "employment-at-will" states, you can fire a worker for any reason or no reason at all. Increasingly, however, states are more likely to protect employees than employers.

Firing an employee who steals from you is almost certainly justifiable in any state. Likewise, dismissing a bookkeeper convicted of theft outside the shop would likely be legal. Firing also may be justifiable if the crime is so offensive that the workplace is disrupted. A rape or assault conviction, for example, could breed fear among co-workers. In such a case, a well-documented dismissal would likely hold water.

In contrast, a designer convicted of drunk driving could still be performing effectively on the job.

Have a quick chat with your attorney to better understand the law in your state.

## NORMS

### OLDER WORKERS



This is the percentage of employers who say older workers are more reliable than younger ones.

That shouldn't be a surprise. Older workers tend to have a better work ethic than some younger workers.

When you're looking for help, don't assume that young, inexperienced, entry level workers are the only employees you can afford.

Think about it. Many retirees need supplemental income or want something to keep them busy. With their experience, they are more than up to the task. And seniors represent a fast-growing labor pool.

*Source: Poll of Society for Human Resource Management members*

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