



Shortcuts to Design Room Profits

By Paul Goodman, CPA

Shops that turn the best profits utilize shortcuts in the design room that focus on both control and productivity.

Bottom line profitability is determined, to a large extent, in the design room. That's where you control Cost of Goods Sold (COGS) by ensuring that you and your staff don't stuff extra flowers into arrangements. The design room is also an important focus because it's where you keep payroll in line by making sure productivity is high. This month I'll focus on simple steps florists can take to make the design room more efficient and profitable.

Arrangements Explained

Most flower shops have two kinds of arrangements — recipe and custom. Recipe arrangements are put together following a set pattern. Custom arrangements are made for specific events and occasions or based on explicit customer instructions. Both kinds of arrangements require good sense (accurate pricing) and creativity.

Recipes Reap Profits

Standard holiday arrangements are a good example of the quintessential recipe design. These arrangements can be tied to an individual shop or a wire

service and can be mass-produced easily. You don't have to wait for the holidays to use recipes in your designs. In fact, using recipes throughout the year can have real benefits.

The first step toward creating a standardized arrangement comes when a designer creates the recipe. (National companies bring in professional designers; smaller florists give the task to their designers.) In this step, flowers, foliage and filler are counted twice to make sure only the correct amount of product is going into the arrangement for the given price.

When recipe arrangements are appropriately implemented, you'll see pro-

ductivity increase in two ways. First, the designer doesn't have to count the flowers and foliage at retail and add them up to make sure COGS is correct — they know that if they follow the recipe, it will be. Second, the designer, free of the pressure to be creative during the "assembly" process, can make more than one arrangement at a time. Obviously, it's much faster to make multiples of one item than to make individual custom arrangements. The result: more retail sale dollars produced in much less time.

Good Recipe Ratio

Most flower shops can use standard arrangements for 50 percent to 60 percent of their business. And standardized designs don't mean you have to say goodbye to creativity. Remember, it takes more creativity to design something beautiful with a limited amount of material than it does to create something beautiful with an unlimited amount of material. So use your designer's creativity to come up with the standard (recipe) arrangements. Have a contest. Change the recipes as often as you deem appropriate.

Standard recipe arrangements are also great for controlling payroll.

Productivity goes up automatically. In addition, you don't have to use experienced designers to make up standard arrangements. Almost anyone with minimal training can follow a recipe.

Custom Designs: Chart It Out

Most custom arrangements are designed to a specific price point and require careful counting of the flowers and foliage to make sure COGS is maintained correctly. However, there are shortcuts and cost-cutting tools for custom arrangements. One of these tools is a design room pricing chart to track custom arrangements. (See chart, right.)

Pricing charts increase productivity because designers do not have to figure out the prices for materials each time they make up an arrangement. They can instead focus on the amount of flowers they use. Everything else is set by the formula. Much easier and faster.

When you create a pricing chart, you can assume certain basic information. For arrangements using standard/utility containers, the labor charge, container cost, and supplies cost are all known from your pricing formula. The only variable is the amount of flowers and foliage that go in to the arrangement. (The chart uses the most common pricing formula found in the industry: 20 percent of the retail price for labor, two times on the container and supplies, and 3.5 times on the flowers and foliage.)

Pricing charts can be created on dry erase boards, a large sheet of paper or a computer. The chart should have five columns: retail price, labor, container, supplies and flowers and foliage. Start by filling in the retail price column with your most common retail prices — \$19.95, \$24.95, \$29.95, \$34.95, \$39.95, \$49.95, \$74.95, \$99.95, etc. Next, multiply the retail price by your labor charge and fill in the labor charge column.

Put the retail price of your standard utility container for each price point in the container column. Next, fill in

Design Room Pricing Chart

Retail Price	Labor	Container	Supplies	Flowers & Foliage
19.95	4.00	2.00	1.60	12.35
24.95	5.00	2.50	2.00	15.45
29.95	6.00	3.00	2.40	18.55
34.95	7.00	3.50	2.80	21.65
39.95	8.00	4.00	3.20	24.75
44.95	9.00	4.50	3.60	27.85
49.95	10.00	5.00	4.00	30.95
59.95	12.00	6.00	4.80	37.15
69.95	14.00	7.00	5.60	43.35
74.95	15.00	7.50	6.00	46.45
99.95	20.00	10.00	8.00	61.95

Assumptions:

Labor is 20% of retail price.

Container (utility) cost is 5% of retail price x2.

Supplies cost is 4% of retail price x2.

Flowers & Foliage is amount available at retail prices.

the retail price of the supplies for each arrangement in the supplies column. An ideal ratio would mean that the labor column is filled in with 20 percent of each retail price point, the container column gets 10 percent of each retail price point and the supplies column would get 8 percent of each retail price point.

Finally, fill in the last column, flowers and foliage, by subtracting the labor charge, container charge and supplies charge from retail price. The result is the amount available for flowers and foliage. Your chart will now be complete.

There is one exception to the formula: If the designer is not using a standard/utility container, he or she should subtract the standard/utility container retail price on the chart from the retail price of the special container to get the extra cost of the special container. Then the designer can take that extra cost out of the amount available for flowers and foliage.

Final Touches

A few final tips to help control your design room COGS:

- Always make two or more of every custom arrangement (assuming you're large enough to sell them) — you only

have to count your flowers one time for multiple arrangements, and the second and third arrangements will always be made faster than the first.

- To streamline your processes even more, put up a container shelf in the design room for all the containers that need to be priced separately. Make the retail price clearly visible so there is no confusion as to what the price should be. The shelf can be up out of the way because it's just there for a quick reference.

- Another tip? Have a dry erase board for fresh flower prices by the stem or bloom. The designers should not have to work with cost figures. Make it clear what the retail price is for each item. The dry erase board will make it easier to change the prices as the market changes.

- Finally, one place you will need to control standard arrangements is when making hospital or other multiple deliveries to the same person. Just keep a list so you don't send duplicate arrangements to the same person. 🌿

Paul Goodman, CPA, a 30-year floral industry veteran, is founder of Floral Finance Business Services, based in Tulsa, Okla., editor of Floral Finance, and author of The Profit Minded Florist. E-mail: plgoodman@aol.com