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**THE  
FLORIST**  
TRADE MAGAZINE

**THEFLORIST.CO.UK**

**Working with the flower industry since 1949**



# BUSINESS MATTERS

# NEVER MIND THE FLOWERS... WHAT ABOUT THE FINANCE?

One of the most asked questions since 1949 has been “how much should I charge.” The flip answer is as much as possible. The business answer is enough to cover ALL your costs and have a bit left over for a rainy day, constant cash flow and future investment.

And these days it is more important than ever to get the financial side covered. With everyone and his friend selling flowers ... be it online operators or the ever-increasing number of home workers selling flowers – the market is getting more and more competitive and quite frankly, muck up your costings and you might as well shut down now ... or resign yourself to a life of poverty.

Because whilst we totally get there isn't a

shedload of money in floristry equally that doesn't mean you should run at a loss or work for nothing; as they say Turnover is Vanity, Profit is Sanity.

Now truth is we can't give you a lesson in accountancy in one article. Not only is it a HUGE subject (and why good accountants take four years just to train) but every single business is different and will have quirks and needs that are totally individual.

So what we've done is collate all the things we've been asked about over the years from margins to mark-ups, P&L's to Promotions and all those other little things that can mean the difference between vanity and sanity.

## PROFIT & LOSS ACCOUNTS

Along with a budget forecast, this is the backbone of any business and should accurately show your trading position at any point in time.

Put simply it's your SALES less your COST OF GOODS SOLD (COGS/Direct Expenses) which equals your GROSS PROFIT (GP – also known as Gross Margin GM). This GP has to cover all your OVERHEADS (OH) and generate enough to pay you via a NET PROFIT (NP).\*1

It seems so simple yet so many florists get it horribly wrong and either scrape through, work for a pittance or end up making losses. Why? Usually because they don't allow enough for labour or all the associated costs which usually means the MARK UP and therefore GROSS MARGIN are too low.

Which is why you need a P&L Budget Forecast at the beginning of each financial year to show targets, make sure everything is covered and then checked regularly to make sure you are on track.

\*1 This will depend on the structure of your company i.e. if Limited you may pay dividends rather than salary but on this you MUST talk to an accountant.

<b>SALES</b>	What you sell your goods and services for – your daily/ weekly/annual take
Less	
<b>COGS</b>	What you spend on flowers, foliage plants and sundries including flower food, wires, packaging. Anything needed to make what you sell.
equals	
<b>GROSS PROFIT/ MARGIN (GP)</b>	
Less	
<b>OVERHEADS</b>	All the other expenses associated with running your business – see our list.
equals	
<b>NET PROFIT</b>	What the owner should use for their salary/wage and future investment



## MAKING THE NUMBERS WORK

To work out what GROSS PROFIT you need to generate and therefore what TURNOVER you need to achieve you have to make a list of all your costs.

Based on industry norms, assuming your sales are 2/3rds flowers and 1/3rd sundries you should be looking at a blended Gross Margin of around 62%. If you sell 75% flowers/25% sundries your GP will be higher because your mark-up is higher on the fresh element. Every business will be different but if you work on around 62% it is probably a good place to start.

Start with your salary which is basically the PROFIT you make at the end of the day. Only you can decide what you need/want to earn but put it at the top of the list and make sure it covers all your expenses and a bit on top for re-investment.

Then list all your other overhead costs.

FIXED COSTS are the ones that are the same month in month out, like rent, rates, insurance, line rental for phone and broadband; even the van which will be sitting outside whether you have one delivery or 100.

VARIABLE COSTS are the charges which will flex depending on your level of business/activity. For example electricity will rise and fall depending how long you are in the shop, water costs will fluctuate at busy times when you need more buckets filled and fuel costs will change depending on how many deliveries you make. However all have to be included – even as an estimate if you are just starting out – so they are accounted for.

## CAN YOU GET THE TURNOVER?

Say, for example, you need £75k GROSS PROFIT to cover £45k of FIXED and VARIABLE costs AND give you £30k NET PROFIT (your salary and a bit on top for future growth).

Based on the estimated industry average GP of 62% you will need to have a turnover of around £120k to generate the GP you need to cover everything. To calculate what you might need work out your own costs (GP and NP) and divide by 0.62%

The question then is can you do it? Is there enough potential in your area to generate £120k worth of sales? Which of course - given floristry isn't like selling widgets – becomes yet more complex because it will depend on what business you run.

Shops still have a place but unless you have a good foot flow or plenty of incoming work via your phone or website because you've done fab marketing AND some juicy contract work you could stand twiddling your thumbs watching all your beautiful flowers wither and die.

Weddings can be more lucrative but come with their own issues, like long hours over the weekend which could involve overtime costs and higher wastage because you can't use up any leftovers on normal every day shop work.

Funeral work is probably one of the safest areas but with so many cheap operators out there it can quickly become a money loser if you don't cost it properly because it is so labour intensive.

Studio based operations can make a higher individual salary/profit but have limited growth opportunities and will often need higher marketing costs to generate sales in the first place.



# BUSINESS MATTERS



## MARK UP

Although there will always be exceptions to the rule (see exceptions to the rule!) the usual industry mark-up is 3x plus VAT for flowers (quick calculator tip item x 3.6) and 2x +VAT (quick calculator tip enter item cost x 2.4) for sundries.

So, for example, a flower you buy at £1 (+VAT) should sell at £3.50 and a vase you pay £4 (+VAT) for should be charged out at £10. In reality if it's a really big gig (like a huge wedding where it's more about labour/creativity) you may charge less for flowers or no mark up on sundries if you are including it as part of a design (see promotions) but it is essential to start with the standard formula and a formal set of rules before you start breaking them because that's the way madness lies and losses start.

However you also need to work out all your costs to see if the industry averages work for you. In expensive areas like London, Manchester or Edinburgh we know of florists who do 4 and 5x simply because overheads are so high or because they know they can get it. It isn't a problem, if it works then good on them.

Equally there are businesses that work on 150% - 200% mark ups because they are operating a 'stack it high, sell it cheaper' operation. Again nothing wrong but unlikely to work for boutique florists who won't have the same high foot flow.

That's why you need to know your core costs so it works for you rather than relying on the standard numbers just because it's what everyone else does.

## COSTING THE WORK

Some florists simply work on a third, third and a third split. For example on a £40 hand tied they have £13.33 for labour, £13.33 for flower etc at wholesale cost and £13.33 for profit/to cover overheads – obviously less VAT as well. It's a quick and easy way to work it out and probably not far off but it should always be monitored to make sure it really does cover all the costs.

However reducing the labour element to 20/25% on day to day orders and adding the extra onto the flower content can be dangerous. Yes the design looks bigger but labour is a fixed cost and all you are doing is reducing your profit. Why do yourself out of earnings? If the customer won't pay what you need to make a living and cover your costs maybe you have to rethink your business model.

On function/event work you can estimate your labour charge pretty accurately because you know you will spend, say 30 hours, on buying, conditioning, making and delivering the order whilst buying in bulk should give you a better COGS but again make sure you are charging a sensible rate that covers all your overhead and any overtime as otherwise you will be working for less than you should.

And if an event can't make you a decent return don't do it. We know there are brides out there who want silk purses out of sows ears but don't be pushed on price. You are better putting your effort into something that will make money or it could be you would make more money developing shop work rather than faffing around on events. Let someone else be the busy fool.



# BUSINESS MATTERS

## EVERY FLOWER COUNTS – DON'T OVERSTUFF!

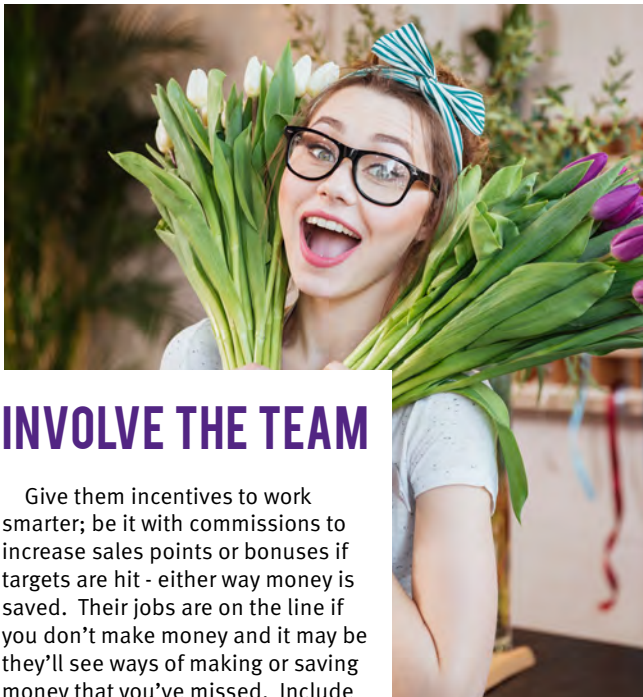
One of the biggest reasons for poor margins is overstuffing and can easily mean the difference between profit and loss. With flower prices running higher than ever and no sign of changing any time soon, just putting one stem too many in can cost you big time.

For example, say you are doing 30 orders a day, just one extra flower worth 75p at wholesale value will lose you £22.50 a day, £135 per week and a massive £7,020 a year!! That's the price of a small van or a damned good holiday.

We totally get the temptation of adding just a couple more bits of Euc to make it look fuller or an extra rose because it was the last one in the bucket but it is all coming off your bottom line so should be avoided big time.

The best way to get round it, especially if you have staff, is to create Menus for each price point and make sure everyone writes on the back of the order what they used as a double check. For example a £30 basket can only have, say, 5 x spray car, 2 by Button Chrys, 3 stems Euc, 3 roses, 7 loops of Bear Grass and a ½ stem gyp for filler.

You'll obviously need to work out your own menus based on your COGS but not only do they help the team focus but can make a huge difference when it comes to profit.



## INVOLVE THE TEAM

Give them incentives to work smarter; be it with commissions to increase sales points or bonuses if targets are hit - either way money is saved. Their jobs are on the line if you don't make money and it may be they'll see ways of making or saving money that you've missed. Include them and it can really pay dividends.

## HOW TO IMPROVE PROFIT

- The most logical is to increase turnover either by finding new markets/ customers or increasing the value per sale to your existing customer base ... often easier.
- Spending less will help too but see our section on COGS ... you mustn't reduce quality and sadly quality comes at a price. Beware of special offers and discounted flowers ... if it looks too good to be true it often is.
- Watch your wastage and overstuffing designs with too many flowers
- Check your mark-up is right – it may be moving from 3x to 3.5x plus VAT will make all the difference.
- Double check your actual figures regularly against your budget and make the calculator and computer as important to your business as your knife or scissors.
- Make lists of everything you do; be it how many AYR used to base a heart to how many roses you sold each Valentine's. Record keeping is crucial.
- Make design menus and stick to them!
- Get your team involved.



# BUSINESS MATTERS

## STANDARD YEAR ROUND PRICING

### BUT I WORK FROM HOME? I DON'T HAVE ALL THESE OVERHEADS

Doesn't matter. One day you might be in a shop or rent a studio space and anyway you should still charge the right price.

1: It will make you more money and there is nothing wrong with that – profit is not a dirty word.

2: It is fairer on your fellow florists who do have the overheads and stops them looking expensive when actually they are charging the right price to cover their needs and be commercial.

3: When you grow/expand and need premises your customer base will be used to the pricing structure. In the meantime stash it away as your expansion fund and do a happy dance.

Chances are your fellow florists will be doing a happy dance as well because they are not being undercut.

We personally recommend you operate on a standard pricing policy for the core lines like roses, carnations, gerbera, AYR etc. These are probably the lines you buy week in week out so you should be getting economies of scale from your supplier by pre-ordering and it means you can have an easy to operate pricing policy for your actual make up work.

It also means you won't get stung when there are price hikes due to seasonal events or supply shortages, is easier for staff to remember rather than constantly having to check and most of all it gives confidence to your customer.



### DON'T SKIMP ON THE COGS

These are the raw goods needed to create your designs. Everything from flowers and plants to sundries, flower food and packaging. However whilst obviously you want to get the highest GP possible avoid the temptation to cut corners if things get tough.

Do not stint on your quality or range. It is the very essence of what you do and actually the last thing you should scrimp on. Poor flower quality is the quickest way to kiss goodbye to your customers so invest in the best. Not only will it please your punters but your wastage will be reduced as well. This should never exceed 5% and should ideally be circa 3% ... any more than that and you are getting your buying wrong ... another easy way to lose money.

Always aim to have at least two suppliers. Not to play each other off but to give you a variety of choice and price points. But be loyal and pay the bills promptly. Wholesalers sell flowers not banking services and we know they treat loyal customers better ... just like you do.



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# PROMOTIONS

Only run promotions if you are absolutely sure about your costings. It's easy to get carried away when you see a cheap deal on flowers but you still need to cover your basic costs and be sure you can pretty much sell them all as anything unsold will just make it a waste of time and money.

In terms of offers 'Buy one get one free' (BOGOF's) go down well but make sure the price covers both with a little bit on top. 30% extra is a popular one in supermarkets but that assumes customers know what the original 100% looked like so we're not sure it works as well with flowers. But make sure you clearly mark anything you do as a SPECIAL as otherwise customers will think it's your normal!

Think about making special days like a Friday is Flower Day - one of the most popular Flower Council promotions - or a Monday Madness. If you've got a good relationship with your supplier it may be you can do something every week but get the plan in place before you start so you can promote it to the hilt through your promotions campaign.

# SWINGS, ROUNDABOUTS, AND OTHER EXCEPTIONS TO THE RULE

Mark up and therefore margins can differ if you find you get a particularly good buy but charge it out at a standard price; for example you manage to buy a really good rose at 40p but you sell it at your standard rate of say, £2.50 a stem.

It won't happen often but when it does revel in it and use it to your advantage. But don't be tempted to suddenly put roses into everything just because

# BUSINESS MATTERS

## BANK ACCOUNTS AND RECEIPTS

Keep your personal and business accounts separate and always have two business accounts ... one for your everyday expenses and one where you stash away any excess and is there for VAT/Rent/rates and bills.

It looks more professional, is far easier for doing the year end accounts and is essential in case you get a VAT or Tax inspection. As for receipts don't just stuff them in a box, keep them neat and tidy and it will save you a lot of money on your accountancy bill.

## VAT AND OTHER TAXES

Even if you aren't VAT registered we reckon you should allow for it from the get go and uplift any prices by 20%. If you are going to be successful then one day you will have to register and if you start as you mean to go on it won't come as a horrible shock to you or your customers. View that extra 20% as a savings plan until the day comes but prepare for it.

Corporation Tax or Income Tax (will depend on whether you are a limited company or sole trader) is only payable if you are making a profit but we like to think you will so putting it in as something to aim for. That said a good accountant will minimise the impact!

they were cheaper. It will give a false impression to your customers and they'll expect them every time.

If you are going to do hand-tieds in a vase it might be worth you not charging full whack for the vase but instead using it as a 'selling point' as to why people should buy from you. There are oodles of chic but cheap options on the market and it's a way of making you stand out from the crowd.



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## EVERY SECOND COUNTS

We don't think you can ever get fixated by an hourly rate of sales – there are so many variables – but it does help to do a quick calculation to focus the mind especially when quoting for labour intensive jobs.

Taking a shop based operation and based on a normal 6 day week, excluding 8 days Bank Holiday, you will be open for business 313 days x 8 hours which equals 2,504 hours of 'official' trading.

Divide your required £120k (ex VAT) turnover by 2,504 hours and it means, in theory, you need to generate £48 per trading hour, £384 a day and £2,304 a week.

It will never work out that simply; there will be days when you take £2000 and days you take £20 never mind events where your labour charge is higher but if, at the end of the month you haven't generated in the region of £10,000 NET OF VAT you need to look at what's gone wrong or at least be aware of what is going on.

It may be it's the time of year; Dec - Feb will always be far higher than, say, Sept – Nov because of the two peaks, but constant checking is vital and why you should ideally do monthly accounts and certainly quarterly – along with forward projections - as otherwise you could miss a downward trend.

When you've decided a realistic salary for yourself (the PROFIT factor) try and cost in all your time. Yes it may only take you 15 minutes to make and wrap a hand tied but on top of that you should be adding in the time spent cutting and conditioning it and buying if you physically went to market.

Of course it can vary depending on how many orders you can churn out in a day. But given you also have to answer the phone, serve customers to get said order; be it in-shop or on the phone and suddenly your actual production time is slashed or you'll need to bring in extra manpower. Some shops manage because they operate a production line style of work but for a bespoke florist where no two orders are the same that simply isn't possible.

We also know at peaks you'll be making ribbon bows in your sleep and probably working silly hours through the night never mind the daily getting to the shop an hour before it opens and staying an hour after it shuts to tidy up/get things ready but everything should, in theory, be included or at least show you a reward at the end of the financial year.

Otherwise you will find yourself working for less than minimum wage or what your staff are earning and that just leads to resentment. If you are happy fine but at least understand why you are not making more money by doing the maths and then you can work out if the pleasure is worth the pain!





# BUSINESS MATTERS

## RELAY... DO IT SEPARATELY

Do NOT include this turnover in your core business calculation. To understand the value/cost/profit of relay work you should calculate this part of your business separately. Why? Because chances are the profitability on this part of your business will be much lower than your in-shop sales and will therefore bring down the whole picture.

To achieve a true figure you MUST work out the value of this side of your business as a stand-alone revenue stream and only add in the gross profit you make to your figures. We have a special relay calculator spreadsheet you can use for this – simply email [hello@purplespotted.com](mailto:hello@purplespotted.com) and we'll send it to you.

## ACCOUNTANTS AND SOFTWARE

The Editor is married to one and we have Sage for the other. Said husband doesn't actually do the company accounts but we do have a very nice man called Tony who looks after us and saves us a fortune because he knows what he is doing. We've progressed from the carrier bag full of receipts to Sage which, for £20 a month does our accounts and payroll all at the press of an easy to use button (truly it is a joy and no we're not being paid to say that!).

However in good BBC style we must say that there are other products on the market, like the excellent Cloud-based Xero or QuickBooks, but whichever you choose, go computerised from Day 1. It will save you both time and headaches as everything will be automated. Alternatively invest in something like Strelitz Software which will also do delivery runs, mailing lists for marketing promotion and link in with any relay system you have.

## FINALLY ... NEVER EVER UNDER PRICE

The wonderful Claire Mitchell has probably produced the best reasons for not under-pricing and we totally recommend everyone (even if you're a man) signs up to her business support programme [www.thegirlsmeansbusiness.com](http://www.thegirlsmeansbusiness.com). However here are just some of the reasons why you should NEVER, EVER, EVER under price

- Price low and you'll just end up doing more work and chasing your tail.
- You're running a business not a hobby, think and price like a business.
- Competing on price means you only have one way to go - downwards. Start cheap and it's hard to re-position yourself so don't get known as the cheap florist.
- Believe it or not, not all customers are price fixated; many would rather have great value than cheap ... they are not the same thing. Aim to appeal to the SUPER customer who values you and what you do rather than BAD FIT customers who only want a discount price.
- If prices are low so is profit ... the whole point of being in business is to make profit and be paid for what you enjoy doing!



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## COLOMBIAN FLOWERS

**LONGER**



**STRONGER**



**BRIGHTER**



**PROFITABLE**



**GORGEOUS!**

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