Floral Finance Business Services gets calls almost every day from individuals seeking statistical information on Retail Florists. The following information answers most of those questions.

**Key operating targets:**

1. Cost of Goods Sold for Arrangements – 26% - 33%

2. Total Cost of Goods Sold – 32% - 38%

3. Payroll (including payroll taxes and benefits)

 30% with the owner/manager on the payroll

 20% with the owner/manager not on the payroll

 The owner/manager should be able to make from 8% - 10% of sales (including

 taxes and benefits) for a shop doing under $500,000 in annual sales.

 for shops doing over $500,000 in annual sales, because

 of the need to hire additional managers, the owner/manager will

 make less than that as a percentage but more in actual dollars.

 Designer pay (including taxes and benefits) should be from 7% to 12% of design

 sales. The lower figure during holidays with production designing and the

 higher figure during very slow periods.

4. Facilities Expenses (Rent, Utilities, Repairs & Maintenance, facility insurance) – <10%

5. All other expenses put together will run from 16% to 22%.

Advertising – the industry average is 3% of sales.

6. Net Profit before tax – the industry average is 5%. Your target should be 10%. There

are many shops that make 15%. These figures assume the owner/manager is on the payroll. If not, add 8% - 10% to these numbers.

**Sales** – What comprises sales? All sales plus wire-ins at 73% and wire-outs at 20%.

The correct way to account for wire sales is to enter wire-in sales just like local orders. The only difference between a wire-in and a local orders is how it is paid for and the commissions involved. They should be entered at full value (100%) into the appropriate sales category. They are a charge sale and should be entered as a wire receivable. We recommend that sales be divided into Product Sales and Non-Product Sales. Wire-outs should be entered in Non-Product Sales at 20%. The remaining 80% goes into a wires payable account. Finally, in Non-Product Sales there should be a “contra-account” called “Wire-in Commissions” into which you put the 27% of incoming wire orders you are not going to receive due to commissions to the sender and the wire service. This will show up as a negative amount in sales. (If you need a more detailed explanation of wire order accounting, get a copy of “*The Profit Minded Florist”* from Teleflora or an article on wire order accounting.

The average sales volume of a retail florist with a payroll in the US is $350,000. Shops without a payroll average $70,000.

**Number of flower shops** – There are approximately 17,000 flower shops with a payroll

in the US. There are another 12,000 shops without a payroll.

**Starting a new flower shop** – There is no survey data on what sales volume to expect in

the first year, however, a rule-of-thumb is to be at an annualized volume of $150,000 by the end of the first year. A new owner/manager should not expect to take much in the way of salary out of a new shop in the first year.

**Financial Tools** – an invaluable management tool is available from Teleflora for less than $100.

***The Profit Minded Florist***

To order call Teleflora 1-800-456-7890.

This book is the industry’s only financial manual, written in an easy to read cookbook style. It comes with sections on Accounting, Design, Operations, and Starting, Buying or Selling a Flower Shop.

***Financial Services.***

 Floral Finance Business Services offers the following financial services:

***Profitability Analysis*** – An analysis comparing your most recent twelve month financial statement with industry standards to tell you where you are losing money and what to do about it. The cost is $895.

***Shop Valuation*** – An analysis to determine the fair market value of a flower shop. If you are buying or selling a flower shop, this would be a beneficial analysis. It would also be useful for estate planning purposes. $895.

***Consulting******Services*** *–* Available on-site or via telephone.

To inquire about these services, call Paul Goodman 918-289-1574.