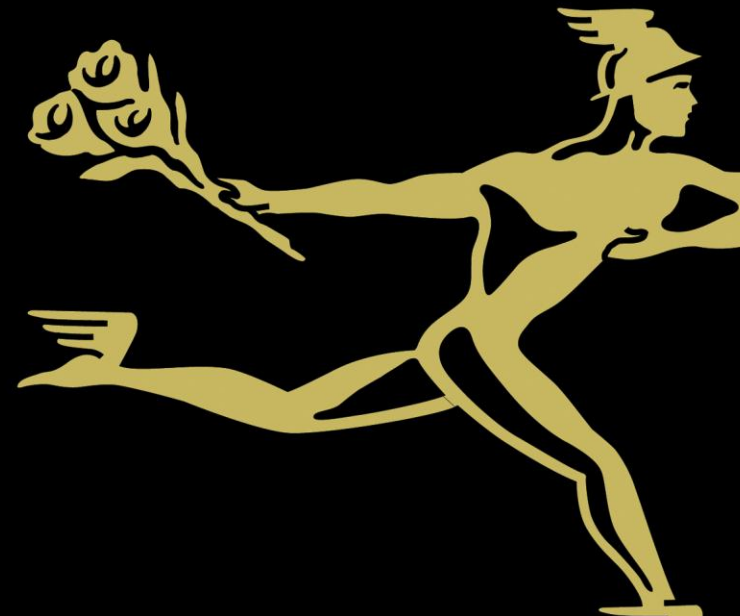


Prepare to be Profitable!

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What are COGS?

COGS or COS

Refers to the cost of all the goods that we sell. Goods are all the items used to manufacture your arrangements.

Cost of goods sold (COGS) is also known as *cost of sales (COS)*. Cost of goods sold is an expense charged against sales to work out a *gross profit*



Sales – COGS = Profit

Buy 100 Carnations at .35 = \$35.00

Sell 100 Carnations at \$1.25 = \$125.00

\$125.00 Sales
- \$35.00 COGS
\$90.00 Profit



COST OF GOODS SOLD

**WHY ARE THEY
IMPORTANT?**



Consider this...

1. Designer put one extra 50 cent flower in everything they make today (20 Orders)	1. \$10.00
2. One arrangement will be donated this week	2. \$15.60
3. One vendor shorts a bunch of flowers	3. \$8.90
4. One order has to be replaced	4. \$17.80
5. Supplies cards, pics, tape, foam not charged for	5. \$15.00
	Total Day \$67.30
	Total Week \$403.80
	Total Year \$20,997.60





If you have a 6% bottom line the sales needed to recover the
\$20,997.60

**ADDITIONAL SALES REQUIRED TO BREAK
EVEN ON THE LOSS
\$ 350,000.00**



“A dollar saved is more than a dollar earned. If you earn a dollar, and your profit margin is 6%, you net 6 cents. If you save a dollar you net a dollar.”

Better to control your cost of goods and save the dollar!



Factors that Affect your Cost of Goods

- Promotional, donations and giveaways
- Sales discounts
- Theft of merchandise
- Poor pricing policies
- Uncontrolled design room
- Distribution of sales in a category and the mark up for that category



Donation Request Form



REQUEST FOR DONATION FORM

Each year, our company allocates a budget to support community activities through contributions. We are pleased to do our part to assist your organization's programs. However, requests have become so numerous that they exceed our financial capabilities. Therefore, in order to fairly distribute our support to as many organizations as possible, this form must be completed and submitted for proper evaluation and consideration. Thank you for your cooperation

Date: _____
 Name of Organization/Group: _____ Phone: _____
 Address: _____
 Name of President/Manager: _____ Phone: _____
 Address: _____
 Your Name: _____ Phone: _____
 Address: _____
 Purpose of fund raiser/event: _____

	Yes	No
Is this a Non-Profit organization?	<input type="checkbox"/>	<input type="checkbox"/>
Has this organization received support from us this year?	<input type="checkbox"/>	<input type="checkbox"/>
Did this organization receive support from us last year?	<input type="checkbox"/>	<input type="checkbox"/>
Will specific mention be made of our support?	<input type="checkbox"/>	<input type="checkbox"/>
If yes, how? _____		
Is this organization a customer of our firm?	<input type="checkbox"/>	<input type="checkbox"/>
Are you a customer of our firm?	<input type="checkbox"/>	<input type="checkbox"/>
Are any members of your group or event floral professionals?	<input type="checkbox"/>	<input type="checkbox"/>
If yes, who? _____		
Are any members of your group associated with our employees?	<input type="checkbox"/>	<input type="checkbox"/>
If yes, who? _____		

If a cash donation is being requested, please complete the following:
 Amount requested \$ _____

If a product donation is being requested, please complete the following:
 Specific product desired: _____

How many people will attend? _____
 Are the following being donated; and if so, by whom?
 Yes No

<input type="checkbox"/>	<input type="checkbox"/>	Facility _____
<input type="checkbox"/>	<input type="checkbox"/>	Food _____
<input type="checkbox"/>	<input type="checkbox"/>	Entertainment _____
<input type="checkbox"/>	<input type="checkbox"/>	Other Merchandise _____
<input type="checkbox"/>	<input type="checkbox"/>	Printing _____
<input type="checkbox"/>	<input type="checkbox"/>	Publicity _____

Date Donation needed? _____
 Who will pick up the donation? _____ Phone: _____

FOR OFFICIAL USE ONLY Date received _____ Description _____ Remarks _____ If refused, reason _____	ORDER# _____ Cost \$ _____ Checked by _____
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Donations, Promotions and Replacements

- Create a house account for each of these categories.
- Bill the invoice to this account
- Pay the account monthly
- Post general ledger entry
 - Remove Sales (debit)
 - Remove from Cash account (credit)
 - 33% Donation general ledger account (debit)
 - 33% Cos Account (credit)



Sales Discounts

- Ring items at full value
- Credit back the sales discount
- This will track discount in a separate negative revenue account so your cost of goods will not be high for the sales reported
- Sales discounts allow you to move slow merchandise and re-invest those dollars on product that will sell



Theft of Merchandise

- Install security cameras
- Do not leave customers alone on the sales floor
- Policy manual should state discount and employees should never ring up their own sales
- Owner purchases should follow policy
- Enter quantity on inventory and gift items and do a physical inventory twice year.
- Check off invoices as shipments are received
- One person post invoices and another person pays the monthly bill



Poor Pricing Policy

- Inconsistent pricing in sale categories
- Poor calculation of mark ups to hit target
- Pricing information should be available to all staff (wholesale or retail)
- All items should be priced with freight and 10% shrinkage included
- Using coding on giftware to represent wholesale cost with freight. This will help with rotation (ex: G120101250)



Uncontrolled Design Room

- Use Recipes
- Place standing orders
- Rotation policy
 - Coding giftware
 - Work buckets
 - Flower Nazi...Use it up mentality
- Pricing arrangements on the back of every order
- Use technology to make it easier to price
- Don't forget to account for supplies



Steps to Profit



- Calculate your target percentage
- Refine the design process
- Budget your buying
- Price effectively



Cash or Accrual?

- Cash

- Expense everything when you buy it.
- Easy to input into your accounting system
- Does not show an accurate picture of a month

- Accrual

- Expense in the month the sale will happen
- Dump hard goods into inventory and then relieve inventory category by % of sales
 - Calculate that % by taking your average sale and add up all the supplies then divide by sale and it will give you %
- More accurate example of your COGS



Mark Ups to Hit your Target

- Varying mark ups
 - Allow you to compete against other outlets
 - Use creative accounting
- Benchmark
 - 2.5 on hard goods
 - 3.5 on fresh flowers



Industry Standard

COGS TARGET = 25%-33%



How Much Fresh Product to Buy?

- Review previous years month sales in category
- Divide by your mark up
- Subtract out must have flowers
- That gives you what you can buy



Calculating What You can Buy

Sales Total	10,000
Mark Up	<u>X 33%</u>
	3,300
Budget	3,300
Must Have	<u>-2,000</u>
Open to buy	1,100



Dumpage

- It is important to know how much of the product you purchase is thrown away
- Track the product dumped in a notebook
- Move the dumpage from cogs account into a dumpage account
- Track the reason why

Date Tossed	Date Rec'd	Vendor	Product	Reason	QTY	Unit Cost	Total	Balance



Calculating each design – Cost Up

Cost Up Form

Fresh Item	Quantity		Retail Price		Amount
Alstromeria	3	x	1.50	=	\$ 4.50
Carnation	5	x	1.25	=	\$ 6.25
Lily	2	x	4.00	=	\$ 8.00
Leather Leaf	6	x	.30	=	\$ 1.80
Total Fresh					\$20.55
Supplies					\$ 1.50
Container					\$ 3.00
Sub-total					\$25.05
Labor 20%					\$ 5.00
Total Price					\$30.00



Calculating each design – Cost Down



Cost Down Form

Retail Price		\$35.00
Labor	\$ 7.00	
Container	\$ 3.00	
Supplies	<u>\$ 1.50</u>	
Sub-total	\$11.50	

Sub-Total subtracted from retail amount \$23.50

Fresh Item	Quantity	Retail Price	Amount
Alstromeria	3	X 1.50	\$ 4.50
Carnation	4	x 1.25	\$ 5.00
Lily	2	x 4.00	\$ 8.00
Leather Leaf	6	x .30	\$ 1.80
Roses	1	x 4.00	\$ 4.00
Total Fresh			\$23.30



Pricing Barriers and Philosophies

- Price barriers
 - \$1, \$5, \$10, \$15, \$20, \$25, \$30, \$50, \$75, \$100, \$150, \$200
 - .95 viewed as regular price vs .99 viewed as sale price.
 - \$4.99 is perceived as \$4.00 not \$5.00
 - Repetitive numbers and 7's work well
- Pricing philosophy
 - Just under barriers \$39.95, \$49.95, \$59.95
 - Exclusive pricing \$40, \$50, \$60



Control with Pricing and Labor

Consider pricing all flowers the same mark up then adding the appropriate labor.

Everyday Designs = 20% labor mark up

Funeral Designs = 30% labor mark up

Wedding Designs = 40% labor mark up



Control with Recipes

- Use technology to assist your designers
- Speeds up the design process
- Recipe prints on work ticket
- Add your own designs
- Let's look at the practical application



**If you Aim at NOTHING,
You'll Hit it Every time!**



Questions???

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