

EDITORS' NOTE Paul Goodman, MBA, CPA, PFCI, and Derrick Myers, CPA, CFP, love a good financial management challenge, however big or small. Send your questions to fmeditor@safnow.org, and we'll challenge the experts to tackle them in an upcoming article.



Deliver the Profits

**Now is a good time to review
your costs and delivery charges
to make sure you are making a profit.**

PAUL GOODMAN, MBA, CPA, PFCI

three sets of columns, one for each type of vehicle. The first column under each vehicle type shows how much the vehicle will cost per delivery. The second column shows the cost of gasoline per delivery. Since the price of gasoline fluctuates all the time, I've based the cost per delivery as if gasoline is only \$1 per gallon. To get your actual cost, multiply the number in this column by your actual cost per gallon. If the table says the cost of gasoline is \$0.25 (25 cents) to make that delivery and your current gasoline price is \$2.40, multiply \$0.25 x \$2.40 and you get \$0.60 or 60 cents for gasoline to make that delivery. Easy.

The fourth item in delivery cost is **labor** — the most expensive part of the delivery — and the fifth component is the **average number of deliveries** your driver makes **per hour**.

The "**Labor Cost for Delivery**" table combines those variables to come up with a Cost Per Delivery. Go down the left-hand column to find your hourly wage rate and then go across to the average number of deliveries you expect per hour to see how much your labor cost is per delivery.

Calculate Total Cost

You'll add three numbers to get your cost per delivery: Cost per delivery from labor (from the "Labor Cost for Delivery" table) and vehicle cost per delivery for your type of vehicle and gasoline cost per delivery (from the "Vehicle/Gasoline Cost for Delivery" table). The total is your total cost per delivery.

Suppose, for example, you drive a full-size van, you pay your drivers \$10 per hour, your drivers average three deliveries per hour, your average miles per delivery is 4, and your cost of gasoline is \$2.20 per gallon. Here are the steps.

1. Go to the first column of the "Labor Cost for Delivery" table and go down to the \$10 pay rate. Your taxes and benefits will add \$1.50 for a total labor cost of \$11.50 per hour. Continuing over to the three deliveries per hour column, you see that it costs you \$3.83 per delivery for labor.
2. Go to the first column of the "Vehicle/Gasoline Cost for Delivery" table and go down to four miles per delivery. The next column shows that with a four-mile average, you

EFFICIENT MEASUREMENT

Access an Excel spreadsheet that helps calculate the cost per delivery for each of your drivers at safnow.org/moreonline.

- will get 37,500 deliveries before your vehicle needs to be replaced. Under the Full-Sized Van columns, the first one says each delivery will cost \$0.99 per delivery for the van.
3. For gasoline cost, go to the second column under Full-Sized Van and you get a gasoline cost of \$0.45. Now multiply that gasoline cost by \$2.20 and your cost of gasoline in your market is \$0.99 per delivery.
 4. Finally, add them all together. Labor (\$3.83); Vehicle (\$0.99); and Gasoline (\$0.99) for a total cost per delivery of \$5.81.

What About Longer Distances?

\$1 per mile. That's the magic number. If you look at the combined cost of a mini- or full-sized van per mile driven including gasoline, it's about \$0.50 per mile. If you pay your driver \$12.50 per hour and add 15 percent for payroll taxes and the driver averages 30 miles per hour, you also get about \$0.50 per mile.

So, your total cost per mile driven is about \$1. If you pay a higher wage, it will be more. If you pay less, it will be less. Remember to multiply \$1 times the total miles driven, round trip, to get total estimated cost of the delivery. If you go out 10 miles to make a delivery, your total mileage is 20 and your cost will be about \$20 based on today's gasoline prices.

What Should You Charge?

That part is relatively simple: At least double your cost. It's like anything else in your shop. You must cover your cost, some overhead, and make a profit. 🌱

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LABOR COST FOR DELIVERY

Wage Rate Per Hour	Taxes + Benefits	Total Wage Per Hour	Number of Deliveries Per Hour							
			2	2.5	3	3.5	4	4.5	5	5.5
			Cost Per Delivery							
7.00	1.05	8.05	4.03	3.22	2.68	2.30	2.01	1.79	1.61	1.46
7.50	1.13	8.63	4.31	3.45	2.88	2.46	2.16	1.92	1.73	1.57
8.00	1.20	9.20	4.60	3.68	3.07	2.63	2.30	2.04	1.84	1.67
8.50	1.28	9.78	4.89	3.91	3.26	2.79	2.44	2.17	1.96	1.78
9.00	1.35	10.35	5.18	4.14	3.45	2.96	2.59	2.30	2.07	1.88
9.50	1.43	10.93	5.46	4.37	3.64	3.12	2.73	2.43	2.19	1.99
10.00	1.50	11.50	5.75	4.60	3.83	3.29	2.88	2.56	2.30	2.09
10.50	1.58	12.08	6.04	4.83	4.03	3.45	3.02	2.68	2.42	2.20
11.00	1.65	12.65	6.33	5.06	4.22	3.61	3.16	2.81	2.53	2.30
11.50	1.73	13.23	6.61	5.29	4.41	3.78	3.31	2.94	2.65	2.40
12.00	1.80	13.80	6.90	5.52	4.60	3.94	3.45	3.07	2.76	2.51
12.50	1.88	14.38	7.19	5.75	4.79	4.11	3.59	3.19	2.88	2.61
13.00	1.95	14.95	7.48	5.98	4.98	4.27	3.74	3.32	2.99	2.72

SOURCE: ANALYSIS FROM FLORAL FINANCE BUSINESS SERVICES, INC.



SHUTTERSTOCK.COM/WAVEBREAKMEDIA

> **Newsflash: Delivery is expensive.** Showing a solid profit on the bottom line is a challenge for most retail florists. One area that can hurt is not charging enough for making deliveries.

Although there was a time when delivery was given away free, that is no longer the case. Delivery is a valuable service, and customers are perfectly willing to pay for it. FedEx, UPS and the Internet have made delivery charges an everyday occurrence. (Remember: The “free” delivery Amazon offers often depends on higher prices or an annual membership in its Prime services.) So, a charge is expected by most customers.

To know if your charge is adequate, you need to know the cost of making a delivery. Instead of looking at the “average cost” of making a delivery, I’ve broken the expenses down by category, so you can more closely approximate what your costs actually are.

Elements of Delivery

First, consider **vehicle cost**. Generally, florists either use a minivan or a full-size van. However, there is a growing trend to buy specialty vehicles, such as the Ford Transit or Honda Element, to make deliveries because of their fuel efficiency.

Whether you buy a minivan or a full-size van, the costs of the van itself

are about the same. The difference comes in hauling capacity and fuel efficiency. The average lifetime costs of a minivan or full-size van, including repairs and maintenance, is about \$37,500.

The Transit or Element will cost about \$5,000 less. So, you save some money up front and then save on gasoline as well.

Second, look at **gasoline cost**. I’ve assumed that with city driving, a minivan will average about 16 miles per gallon and a full-size van will average about 9 miles per gallon. The Transit or Element will average about 25. When making a decision, factor in your own routes and average mileage to get a good estimate for these costs.

Third, think about **average miles per delivery**. To determine this number for your shop, you need to track the number of deliveries you make each day and the number of miles driven to make those deliveries. By keeping this data for a couple of weeks you will be able to know fairly accurately how far you drive for your average delivery.

I’ve combined these first three items into the table “**Vehicle/Gasoline Cost for Delivery**.” Go down the left-hand column to find the average miles you drive per delivery. Next, there are

VEHICLE/GASOLINE COST FOR DELIVERY

Average Miles Per Delivery	Vehicle Lifetime Deliveries	Minivan		Full-Sized Van		Scion/Element	
		Vehicle Cost Per Delivery	Gasoline* Cost Per Delivery	Vehicle Cost Per Delivery	Gasoline* Cost Per Delivery	Vehicle Cost Per Delivery	Gasoline* Cost Per Delivery
1	150,000	0.25	0.07	0.25	0.11	0.20	0.04
1.5	100,000	0.37	0.10	0.37	0.17	0.30	0.06
2	75,000	0.50	0.13	0.50	0.22	0.40	0.08
2.5	60,000	0.62	0.16	0.62	0.28	0.50	0.10
3	50,000	0.74	0.19	0.74	0.34	0.60	0.12
3.5	42,857	0.87	0.22	0.87	0.39	0.70	0.14
4	37,500	0.99	0.25	0.99	0.45	0.80	0.16
4.5	33,333	1.12	0.28	1.12	0.50	0.90	0.18
5	30,000	1.24	0.32	1.24	0.56	1.00	0.20
5.5	27,273	1.36	0.35	1.36	0.61	1.10	0.22

* Gasoline cost is based on \$1.00 per gallon. To calculate your actual cost, you need to multiply the cost per delivery by your current cost of gasoline.

SOURCE: ANALYSIS FROM FLORAL FINANCE BUSINESS SERVICES, INC.



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Holiday delivery
can be efficient and profitable
when you create and stick
to a solid plan.



Get in the (Delivery) Zone

BY PAUL GOODMAN, MBA, CPA, PFCI

Major floral holidays come with myriad challenges for retail florists: Higher volume means more potential sales, of course, but also more costs. Delivery is one area that, when not handled properly, can reduce your profit margins — around the holidays and year round.

The solution: Create a delivery plan and stick to it. To ensure your deliveries contribute to your bottom line, divide them into five categories:

- Standard local deliveries
- Standard delivery zones
- Special deliveries outside your zones
- Timed/rush deliveries
- Holiday deliveries

Remember, many point-of-sale systems let you enter a delivery charge based on the recipient's zip code. Align your various delivery zones with zip codes and then set up the prices accordingly. That way, you and your staff won't have to figure out what the delivery charge is going to be for each order. Instead, the information will appear automatically on the order.

Standard Local Deliveries

These deliveries are typically close to your shop, usually within five miles. Your geography can change this average. Railroads, rivers, highways and other developments can also quickly increase the time and mileage of deliveries.

Take a map of your city. For the next 100 deliveries, plot the delivery point on the map. Then step back to get a big-picture view of your deliveries. Normally, you will see a concentration of most of your deliveries around your shop. That should be your standard local delivery zone.

Track your mileage and number of deliveries in that zone for the next week and calculate the average mileage. Using an average cost per mile for vehicle, fuel and driver of \$1, calculate what your standard delivery cost is. Double this cost to set your standard price. If it comes out less than \$9.95, set \$9.95 as your basic charge anyway. (That's the minimum any florist should charge in 2018.)

Standard Delivery Zones

Use the same process to determine your delivery cost in each zone. Use your mapping project to identify your most common zones. The number of deliveries will likely be fewer per trip than your local zone, so the average mileage will be higher and lead to a higher price.

Special Deliveries Outside Your Zones

Deliveries in this category tend to involve one arrangement at a time. Take the

GO DEEPER

For an overview of labor, fuel and vehicle costs, read Part I in our Delivery series, from June 2018, at safnow.org/moreonline.

total mileage for the delivery (out and back), multiply by your cost per mile and then double it.

If the figure seems too high, you can choose to do it for less. Just make sure you cover your costs. Alternatively, you can refuse the order or send it to another florist as a wire order.

Timed/Rush Deliveries

These orders normally require you to schedule a driver to make a single delivery at a given time. I recommend charging double your regular delivery fee.

If you want to capture more of this kind of order, set up "Standard Rush" delivery charges in your normal delivery zones. Assume you will make a single delivery to an average distance in that zone and do the math.

Holiday Deliveries

For decades florists have tried to lure customers to take early delivery for a holiday, especially Valentine's Day. Conclusion? It's a hard sell.

Another approach: Charge more for handling these holiday deliveries. For Valentine's Day, consider charging 30 percent to 50 percent more for deliveries on Feb. 14 and 15. If someone calls on those days for a delivery, up the price even more. Your finances will thank you, and experience says your customers will not balk.

Wanted: Reliable Drivers

Zones and fees aren't the only considerations with delivery. Drivers are also a significant cost and finding them can be a time-consuming task.

There are two categories you need to cover: everyday and holiday drivers. Both present unique challenges.

Everyday Drivers

Many florists make the mistake of hiring only full-time drivers. To keep your driver costs as low as possible, it is necessary to vary the amount of driver's hours based on your delivery activity.

For the next three weeks that are nonholiday, track how many deliveries you make each day. Calculate the average number of deliveries for each day of the week.

A full-time driver can make 20 to 25 deliveries in an eight-hour day. This

translates to about three deliveries per hour. Calculate the number of hours you need for each day. Hopefully you can schedule for that number of hours and no more.

How do you find drivers who are so flexible for everyday deliveries? One proven source is to hire retired people as drivers. Most retired people do not want full-time work. They will come in and work as needed and then go home when the work is done.

In addition, they are normally experienced and capable drivers as opposed to a younger person who might want to race out of every stoplight.

For everyday drivers, make sure you get your vehicle insurance company to pull MVRs (Motor Vehicle Report) on each driver to see what ticket and accident history they have. In addition, you might want to do routine drug testing, which normally you can have done at a local medical lab.

Holiday Drivers

Getting holiday drivers is no easy task. In addition to the usual sources — off-duty police, firefighters and delivery service drivers — here's an idea that has paid off for many retail florists.

Find a local group that needs to raise funds, like the school band or a church group going on a mission project. Offer them a fixed amount per delivery. You'll get people out to help with deliveries that you would otherwise never be able to hire.

And that brings up the issue of what to pay for deliveries. Most florists prefer a fixed amount per delivery. You will be safe paying the same amount that is your average cost for delivery or even a little more.

You'll still make a nice profit on your deliveries, and your drivers should be happy. The fee will cover the cost of operating their vehicles and give them a nice hourly wage. Most volunteers from an organization will volunteer their time and give the entire fee to the project. 🌿

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