

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.

EDITORS' NOTE *Send your questions to Floral Management's contributing financial management experts, Paul Goodman, CPA, PFCI, and Derrick Myers, CPA, CFP. Email: fmeditor@safnow.org.*



Delivery Matters

BY PAUL GOODMAN, CPA, PFCI

Q: My labor and COGS are under control, but when it comes to delivery, I have no idea if I'm charging enough to make a profit. How do I know?

> Design, quality product and delivery set traditional flower shops apart from many floral competitors, including big boxes and supermarkets. Each service is important and you, as a retail florist, should make money on them all.

In my experience, many shops that have a handle on product and labor costs ignore — or dramatically underestimate — the cost of delivery. You spend a lot of time and money to offer this valuable service. You owe it to yourself and your bottom line to make it profitable. That means managing costs and pricing correctly. Both factors are important. One without the other is not enough.

Count Your Costs

The costs that make up your delivery service fall into three basic categories: vehicle, fuel and labor.

First, let's look at the actual vehicle. We can make a lot of different assumptions about your delivery van, but let's assume you get 150,000 miles out of your vehicle before it's time to trade it in. (Many vehicles will get much higher mileage, but that generally means higher repair costs.) Let's also as-

sume that you bought your vehicle for around \$22,000, and you spent another \$13,000 for tires, oil changes, interest, insurance, minor repairs, brakes, and one tune-up. So, you will spend about \$35,000 on the vehicle over its lifetime. That works out to about 24 cents a mile, assuming you don't get much back at trade-in time.

Next is gasoline. With today's prices close to \$4 a gallon, it will cost you, conservatively, about 30 cents a mile for gasoline. Together, your vehicle and fuel costs add up to 54 cents a mile, just one cent off the government's 55-cents-a-mile standard deduction. Using the government standard, if you drive five miles to make a delivery, your vehicle and fuel costs will be \$2.75. Ten miles will rack up a cost of about \$5.50.

The other major factor of delivery is labor. Labor will cost you more than the vehicle. If you pay someone \$10 an hour to deliver, with an additional 15 percent for payroll taxes, your labor cost is up to \$11.50. Let's assume your driver averages 30 miles an hour in the city (lower that projection if your driver deals with heavy congestion routinely). Using

this estimate, a driver will spend two minutes driving each mile. A five-mile delivery will take 10 minutes in driver time. Then, suppose it takes another five minutes to stop, make the delivery and get back on the road. That's 15 minutes, or a quarter of an hour for one delivery. The labor cost would be \$2.88 for that five-mile delivery, for a total cost of \$5.63 (\$2.88, for labor + \$2.75, for vehicle and fuel).

CALCULATE WITH EASE

Floral Finance Business Services has developed a customizable Microsoft Excel spreadsheet that calculates your cost of delivery. The easy-to-use tool will track the differences in costs by driver by day or by route taken. Your choice. Just plug in your three easy numbers and the pre-set formulas do the calculating. Floral Finance has made it available to SAF members for free. Download it at safnow.org/moreonline, or email plgoodman@aol.com.

Vehicle/Gasoline Cost for Delivery							
Average Miles Per Delivery	Vehicle Lifetime Deliveries	Minivan Vehicle Cost Per Delivery	Full Sized Vehicle Cost Per Delivery	Scion/Element Vehicle Cost Per Delivery	Gasoline * Minivan Cost Per Delivery	Gasoline* Full Size Cost Per Delivery	Gasoline* Scion/Element Cost Per Delivery
1	150,000	0.25	0.25	0.20	0.13	0.22	0.08
1.5	100,000	0.37	0.37	0.30	0.19	0.33	0.12
2	75,000	0.50	0.50	0.40	0.25	0.44	0.16
2.5	60,000	0.62	0.62	0.50	0.31	0.56	0.20
3	50,000	0.74	0.74	0.60	0.38	0.67	0.24
3.5	42,857	0.87	0.87	0.70	0.44	0.78	0.28
4	37,500	0.99	0.99	0.80	0.50	0.89	0.32
4.5	33,333	1.12	1.12	0.90	0.56	1.00	0.36
5	30,000	1.24	1.24	1.00	0.63	1.11	0.40
5.5	27,273	1.36	1.36	1.10	0.69	1.22	0.44

* Gasoline cost is based upon \$2.00 per gallon. To calculate your actual cost, you need to divide your current gasoline price by 2. That answer is your multiplier. Multiply the gasoline cost you get from the table by your multiplier to get actual gasoline cost. So, if your gasoline is currently \$4.00, divide that by 2 and you get a multiplier of 2. According to the table, a 3 mile delivery in a minivan has gasoline costs of .38. Multiply that by 2 to get your actual cost of .76. The reason for using this method is that you can accurately calculate your gasoline cost no matter what your current gasoline price is.



Account for Variables

As you can see, different distances will change the costs dramatically; however, with a little research, you can stay on top of those shifts. You need your drivers to track three things each day: mileage driven, number of deliveries made and amount of time spent delivering. With those three items, you can figure out your average delivery and associated costs.

The math in our example was fairly easy (one driver, five miles, 15 minutes), but for most florists, the calculations will be messier. For that reason, I've included some tables to help you determine your costs. One calculates labor costs for a range of hourly wages, and another calculates vehicle and gasoline costs for three different categories of vehicles.

Pinpoint Your Price

The trend nationwide is to set a standard delivery charge at \$9.95, but there's nothing magic about that number. (And many florists in major metro markets crossed the \$10 barrier years ago.) Instead, you should make a double markup on your delivery just like you do on other products and services.

Once you know your costs, you will know how much you should charge. Just remember, you need to charge accordingly for long-distance deliveries. Also,

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

be sure to charge an extra \$10 to \$15 for rush or time-sensitive deliveries.

You don't want to change your delivery fee often, but you should track your costs weekly. When you see a trend that is increasing your costs, adjust your price. And remember: Labor is your largest expense. Your drivers' efficiency will dramatically affect your

costs. Routing deliveries and making sure drivers depart with multiple orders will bring costs down. 🐾

Paul Goodman, CPA, PFCI, is founder of Floral Finance Business Services, based in Tulsa, Okla., editor of Floral Finance, and author of The Profit Minded Florist. plgoodman@aol.com

Dissecting Delivery

With fuel costs exhausting a bigger chunk of their budget, florists are wondering, “Am I charging enough to cover my costs, let alone make a profit on deliveries?”

Based on discussions lighting up message boards and, I’m told, the in-boxes of the editors of this magazine, calculating real delivery costs is eluding many retailers — which likely means the profit you can and should be making on deliveries is also out of reach.

Historically, most florists didn’t charge for delivery. It wasn’t until the 1970s that florists began to charge modestly for this service. It was not unusual even in the early 1990s to find florists who delivered for free.

That has changed. Today most florists agree that this service should be paid for by the customer. However, the question still has to be answered: How much does it cost to make a delivery?

What’s in a Delivery?

First, there is the cost of the delivery vehicle. Minivans and full-size vans cost the same — the difference comes in hauling capacity and fuel efficiency. There is a growing trend to buy specialty vehicles like the Scion or Element, which cost about \$6,000 less and also offer savings in fuel.

The second item is the cost of gasoline. We have 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 Scion or Element will average about 25.

The third item is the average miles per delivery. 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 know approximately how far you drive for your average delivery.

Chart it Out

We have combined the first three items into the Vehicle and Gasoline Cost Per Delivery table. Go down the left hand column to find the average mileage you drive per delivery. The next three columns show you the number of lifetime deliveries you can make with that average distance driven and the approximate vehicle cost for each of those deliveries.

The next three columns show how much gasoline will cost for a minivan, full-size van, or the Scion/Element assuming an average cost per gallon of \$3.75. (To adjust for changes to gasoline prices, take your current cost per gallon and divide that by 3.75 to get your gasoline cost change factor. Then multiply the cost of gasoline for your type of van and the distance you drive by this factor. The result will be your current cost of gasoline per delivery.)

Lifetime Costs of Van		
	Full or Minivan	Scion or Element
Purchase price	\$22,000	\$16,000
Average interest paid	\$4,000	\$2,910
Tax/tag first year	\$1,000	\$1,000
Tax/tag next 2 years	\$400	\$400
Tires – 3 sets	\$1,500	\$1,500
Repairs – \$500/year	\$3,000	\$3,000
Insurance - \$1,200/year	\$3,600	\$3,600
Tune Ups – 1	\$200	\$200
Oil Changes – 49	\$1,470	\$1,470
Total Lifetime Costs	\$37,170	\$30,080

Vehicle and Gas Costs Per Delivery						
Average Miles Per Delivery	Vehicle Lifetime Deliveries	Full or Minivan Vehicle Cost Per Delivery	Scion/Element Vehicle Cost Per Delivery	Gasoline Minivan Cost Per Delivery	Gasoline Full Size Cost Per Delivery	Gasoline Scion/Element Cost Per Delivery
1	150,000	0.25	0.20	0.23	0.42	0.15
1.5	100,000	0.37	0.30	0.35	0.63	0.23
2	75,000	0.50	0.40	0.47	0.83	0.30
2.5	60,000	0.62	0.50	0.59	1.04	0.38
3	50,000	0.74	0.60	0.70	1.25	0.45
3.5	42,857	0.87	0.70	0.82	1.46	0.53
4	37,500	0.99	0.80	0.94	1.67	0.60
4.5	33,333	1.12	0.90	1.05	1.88	0.68
5	30,000	1.24	1.00	1.17	2.08	0.75
5.5	27,273	1.36	1.10	1.29	2.29	0.83

SOURCE: Analysis from Floral Finance Business Services, Inc.

Vehicle Cost Assumptions

Lifetime mileage of van: 150,000; Fuel efficiency: Full-size van 9 mpg, Minivan 16 mpg, Scion/Element 25 mpg; Gasoline - cost per gallon: \$3.75

Charging enough for delivery starts with knowing the real costs of getting an arrangement from your door to theirs. Plug your numbers into this formula, and you're one step closer to making profitable deliveries.

Costs

BY PAUL GOODMAN, CPA

The Big Expense – Labor

The fourth — and most expensive — item in delivery cost is labor. The table on Labor Cost for Delivery combines labor and average number of deliveries per hour 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.

Tally It Up

Add three numbers to get your cost per delivery: the cost per delivery for labor, the vehicle cost per delivery for your type of vehicle and your gasoline cost per delivery. The total of the three is your real cost per delivery.

Suppose you drive a full size van, you pay \$10 per hour to your drivers, who

average three deliveries per hour, you average 4 miles per delivery and your cost of gasoline is \$4 per gallon. Here are the steps:

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. Continuing over to the three deliveries per hour column, you see that it costs you \$3.83 per delivery for labor.

Go to the first column of the Vehicle and Gasoline Cost Per Delivery table and go down to 4 miles per delivery. The next two columns say you will get 37,500 deliveries out of your van at a cost of \$.99 per delivery for the van.

For gasoline cost, divide 4 by 3.75 and you get an adjustment factor of 1.067. Go to the Full Size van column for 4 miles average delivery and you get a gasoline cost of \$1.67. Now multiply that gasoline cost

by 1.067 and your cost of gasoline in your market is \$1.78 per delivery.

Finally add them all together: labor (\$3.83), vehicle (\$.99), and gasoline (\$1.78), for a total cost per delivery of \$6.60.

The profit part of the formula is up to you. I know of florists who add an additional 20, 50, and even 100 percent into the delivery cost. Remember: Delivery is arguably the most important service the retail florist performs, so you should be making a profit on it. 🌸

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Labor Cost for Delivery										
			Number of Deliveries Per Hour							
Wage Rate Per Hour	Taxes + Benefits	Total Wage 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