

Chapter 5

The Business of Design

The following TEKS will be addressed in this chapter:

(5) The student demonstrates contemporary designs, business practices, specialty items, and creativity in the floral industry by developing floral design skills. The student is expected to:

- (A) classify and identify specialty floral items;
- (B) evaluate and appraise floral designs;
- (C) prepare cost-effective designs;
- (D) create specialty designs to expand artistic expression;
- (E) demonstrate pricing and order-processing skills; and
- (F) list service delivery options related to effectiveness.

Although maybe not as fun and exciting as the creative design portion of floral design, the business part is just as important. If a shop makes beautiful designs, but charges “too much” or “not enough” they will not remain in business for long. Students must learn how to value their designs properly. Remember that the customer is paying for the expertise of the designer and not just the flowers! Record keeping for the floral business is specific to the business.

Students need to learn at the very least the basics of how to price an arrangement from cost up and from price down.

Pricing is figured in several different ways in different shops, but there are a couple of basics that apply to pricing an arrangement.

Successful pricing requires a great deal of time and energy in any business. In the floral industry, this delicate process is complicated by the need to price not only hardgoods, but also perishables and products which require varying amounts of labor. Since pricing is often a key factor in the success or failure of a business, it cannot be taken lightly. The owner/manager needs to assume responsibility for the management of a shop’s pricing system. This includes studying financial records to determine operating expenses, cost of goods, and desired new profit goals. Specialty floral items should also be identified when pricing. Those items are added to an arrangement to give interest. These include seasonal or holiday items. A pricing policy should be developed based on these figures and should be used consistently by all shop employees. The policy should be reviewed annually and revised as needed in order to remain competitive in the marketplace.

Ratio markup pricing is commonly used by florists, because it is easy to understand and calculate. However, this method does not ensure that all operating expenses are covered in a price; furthermore, it does not guarantee profit. Divisional percentage pricing, on the other hand, offers the advantage of incorporating known shop expenses into the price, along with a desired net profit percentage. Unfortunately, many florists find this system too complicated or confusing to use. However, once the initial figures have been calculated, it is as easy to use as the ratio markup system. The floral industry is one of the few businesses that still offers personalized service though delivery.

A variety of pricing strategies may be incorporated into the shop's price management system. These may include several different pricing schemes which are used interchangeably throughout the week, month, or year to help lure customers into the shop and to persuade them to purchase products. When all of these components are taken into consideration, a sensible pricing method of any kind is bound to be successful.

Here are a couple examples of how to look at pricing under two different circumstances.

Option #1

Customer calls and orders a "specialty design" arrangement at a particular price. The arrangement must be priced from the retail price down.

Example: \$100 arrangement

20% labor		\$20.00
10% vase or container	(includes foam and tape)	\$10.00
70% flowers at retail cost & misc supplies		\$70.00

for a total cost of \$100 (delivery would be extra)

Perishable flowers are marked up 3.5 times from the wholesale cost to get the retail cost. A carnation that cost 25 cents at wholesale would be 88 cents at retail.

Miscellaneous supplies and specialty floral items (ribbons, beads, decorative wire, accessory pics, etc) are marked up 2.5 times. A yard of ribbon that cost \$1.50 at wholesale cost would be \$3.75 at retail.

Add delivery cost: \$_____

Option#2

You are making arrangements to go into to your cooler for walk in sales.

Choose your container, miscellaneous supplies, specialty floral items, and flowers. Mark up hard goods (container and supplies) 2.5 times and perishable flowers 5.5 times to cover flower and labor cost.

Example

Container \$3.50 wholesale	\$8.75
Perishable flowers \$16.59 wholesale	\$91.25

(Remember that this is retail pricing from a professional florist - school work may not be of the same quality so markup should be less)

Design Room Cost Control Form: From Cost Up

Instructions:

Use this form to determine the price you should charge for an arrangement, given the materials and product it contains.

Step 1

Enter the arrangement name, date and designer at the top of the form.

Step 2

Enter the name, quantity and retail price for all the fresh and other products in the arrangement (not including container and supplies). Multiply the quantity times the retail price to calculate the charge for each separate product. Add all these amounts to get the Total Fresh & Other Products.

Step 3

Enter the amount expended for supplies, container and labor (if you charge separately for this). Add these three amounts to the Total Fresh & Other Products to get the Total Retail Price of the arrangement.

Step 4

If you have put into the arrangement any items for which you don't want to charge, fill in the Non-Charged Extras section at the bottom of the form. Note: you should rarely have anything in an arrangement that is not charged to the customer. However, when you do, this will make you aware of how much you are giving away.

Step 5

Delivery- Make certain you know if the delivery is a "rush" or "standard" delivery. A "rush delivery" may cost more than a "standard delivery".

DESIGN ROOM COST CONTROL FORM: FROM COST UP

Date: _____ Designer: _____

Arrangement Name: _____

Fresh & Other Products

Item	Quantity	Retail Price	=	Amount
_____	X	_____	=	_____
_____	X	_____	=	_____
_____	X	_____	=	_____
_____	X	_____	=	_____
Total Fresh & Other Products				1
Supplies				2
Container				3
Labor				4
Total Retail Price (1+2+3+4)				_____

Non-Charged Extras

Item	Quantity	Retail Price	=	Amount
_____	X	_____	=	_____
_____	X	_____	=	_____
Delivery			\$	_____

Chapter 5 Student Projects

Chapter 5 Vocabulary

APPRAISE: To officially evaluate an item; to give an official value.

COST-EFFECTIVE: Economical in terms of the goods or services received for the money spent; producing optimum results for the expenditure; economical.

DELIVERY: to take an item from location of origin to where it will be consumed or used.

EVALUATE: To judge by using a specific set of standards.

HARD GOODS: durable nonperishable goods such as vases, foam, tape, wire, etc.

LABOR COST: That part of the cost of goods and services attributable to wages, especially for direct labor.

LOSS: A negative difference between retail price and cost of production; negative financial gain.

MARKUP: An amount added to a cost price in calculating a selling price, especially an amount that takes into account overhead and profit.

PRICING: The amount as of money or goods, asked for or given in exchange for something else; the cost at which something is obtained.

PROFIT: the difference between the cost of production of an item and the price it is sold for at retail; making a financial gain.

RETAIL: selling directly to consumers.

SERVICE: the provision of help and assistance to a customer before, during and after the purchase of a product.

SOFT GOODS: perishable goods such as cut flowers and potted plants.

SPECIALTY ITEMS: Items not normally used as a floral container; items added to an arrangement to give added interest; seasonal or holiday items.

WHOLESALE: selling in large quantity to retailers for resale to consumers.

Project Ideas -

1. Students should classify the flowers and "price out" every design they create. Students should begin with wholesale invoice.
2. Have students "set up" a floral shop. They will have the fun of creating a name, floor plan, concept and aesthetics but they must also make up pricing sheets, and several standard arrangements, complete with "recipes" and prices.
3. Have students make a "standard cooler list" and price the flowers from wholesale to retail.
4. Have students create and evaluate classroom designs.
5. Have students act out a mock telephone customer purchase scenario. For example: arrangement for Mom's 75th birthday, an arrangement for a best friend's funeral service, etc.

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U Q Z Q A H W R P F L W H K T C A J Z A
 U D M M W X D Y C Y D S C G A L X X A E
 M M W R Q P N E S K S Z V J R W P H S V
 G D F M V F R V V S V Z V L D Z N Z E C
 M A R K U P M I O I T S L J D Q U A C G
 D B G U P K A L C E T G P E R V Y K I M
 B R L Z W J N S A I P C L C Q E Z P V F
 B S A H H U N P K M N I E T W P Y L R C
 E T F P O V L Q Z T V G I F B O V H E M
 C P P G L F S P C E F K O X F W M I S M
 D L Y A E T Y M R S U O E F Q E C M X T
 M P U P S C N Y E L W R S U U X T T Y L
 E I H P A W K E T T B Q N X E P N S L M
 X O M R L V J V A W I W H Y S Q J L O C
 I C P A E K E A I S C W T U B D V E Q C
 U Z R I F L V L L W C O R T V T O E P S
 R O O S Y Z P U H G A A Q C S R L O V O
 Y N F E Q J Z A A K V N O O F E L S G Q
 J D I Z X U R T R S P E C I A L T Y M W
 V I T V C D N E O K Z N S J R L A B O R

APPRAISE
 EVALUATE
 LABOR
 MARKUP
 RETAIL
 SPECIALTY

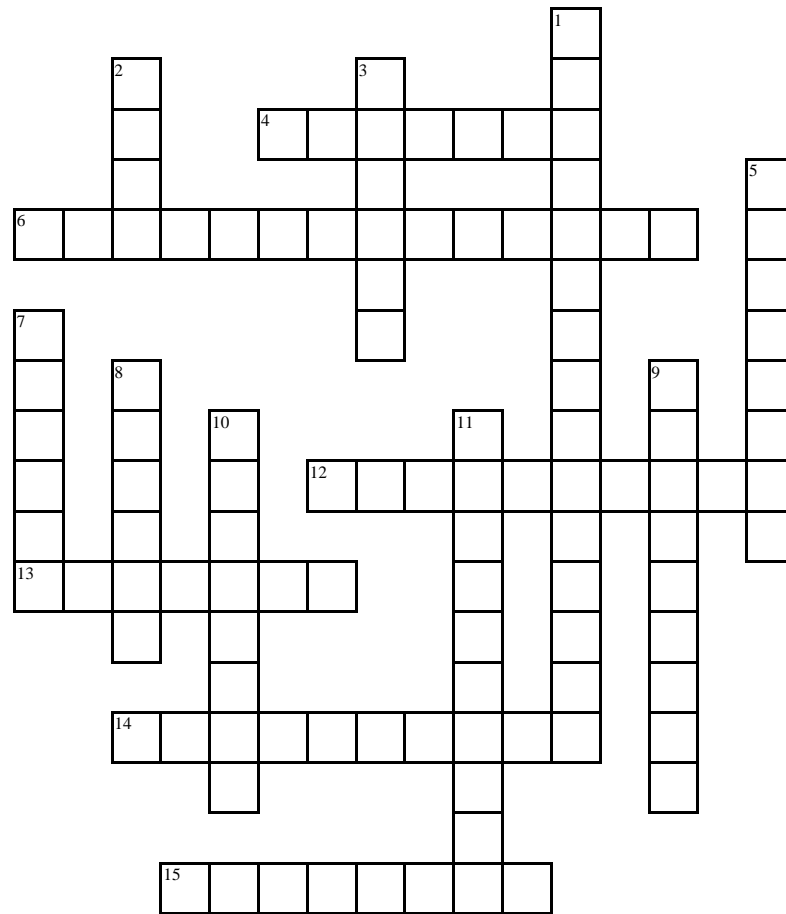
COST-EFFECTIVE
 HARD
 COST
 PRICING
 SERVICE
 ITEMS

DELIVERY
 GOODS
 LOSS
 PROFIT
 SOFT
 WHOLESALE

The Business of Design

U Q Z Q A H W R P F L W H K T C A J Z A
U D M M W X E Y C Y D S C G A L X X A E
M M W R Q P N V S K S Z V J R W P H S V
G D F M V F R V I S V Z V L D Z N Z E C
M A R K U P M I O T T S L J D Q U A C G
D B G U P K A L C E C G P E R V Y K I M
B R L Z W J N S A I P E L C Q E Z P V F
B S A H H U N P K M N I F T W P Y L R C
E T F P O V L Q Z T V G I F B O V H E M
C P P G L F S P C E F K O X E W M I S M
D L Y A E T Y M R S U O E F Q - C M X T
M P U P S C N Y E L W R S U U X T T Y L
E I H P A W K E T T B Q N X E P N S L M
X O M R L V J V A W I W H Y S Q J L O C
I C P A E K E A I S C W T U B D V E Q C
U Z R I F L V L L W C O R T V T O E P S
R O O S Y Z P U H G A A Q C S R L O V O
Y N F E Q J Z A A K V N O O F E L S G Q
J D I Z X U R T R S P E C I A L T Y M W
V I T V C D N E O K Z N S J R L A B O R

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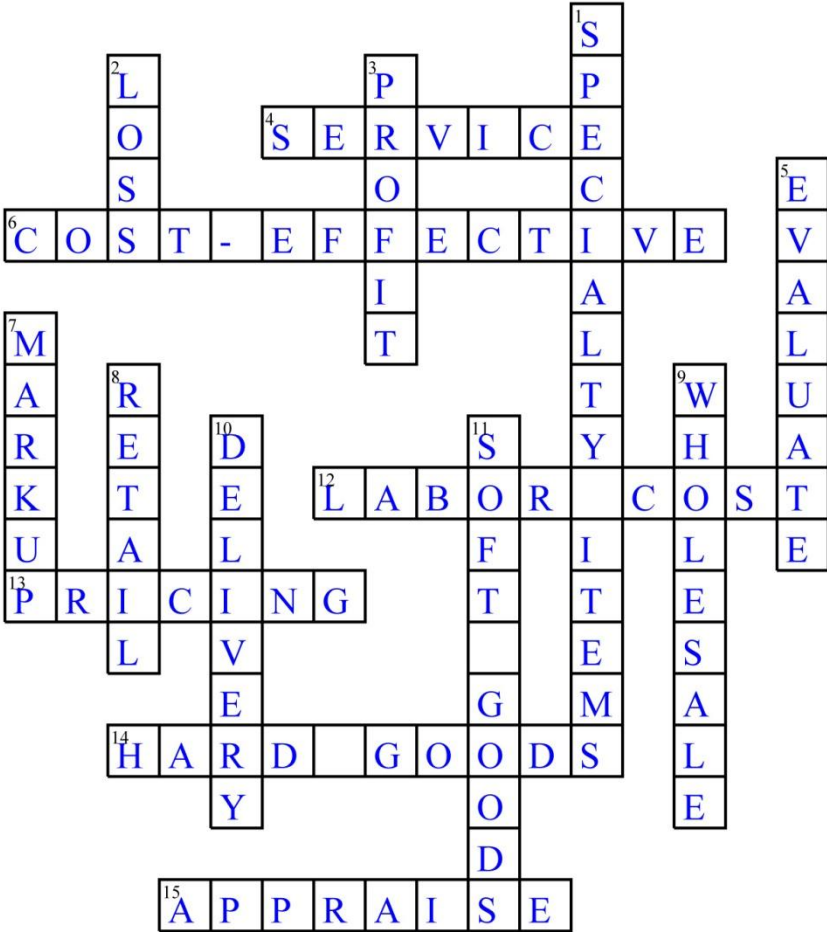
Across

- 4 The provision of help and assistance to a customer before, during and after the purchase of a product.
- 6 Economical in terms of the goods or services received for the money spent; producing optimum results for the expenditure; economical.
- 12 That part of the cost of goods and services attributable to wages, especially for direct labor.
- 13 The amount as of money or goods, asked for or given in exchange for something else; the cost at which something is obtained.
- 14 Durable nonperishable goods such as vases, foam, tape, wire, etc.
- 15 To officially evaluate an item; to give an official value.

Down

- 1 Items not normally used as a floral container; items added to an arrangement to give added interest; seasonal or holiday items.
- 2 A negative difference between retail price and cost of production; negative financial gain.
- 3 The difference between the cost of production of an item and the price it is sold for at retail; making a financial gain.
- 5 To judge by using a specific set of standards.
- 7 An amount added to a cost price in calculating a selling price, especially an amount that takes into account overhead and profit.
- 8 Selling directly to consumers.
- 9 Selling in large quantity to retailers for resale to consumers.
- 10 To take an item from location of origin to where it will be consumed or used.
- 11 Perishable goods such as cut flowers and potted plants.

The Business of Design



The Business of Design Vocabulary Quiz

- 1) _____ Service
 - 2) _____ Loss
 - 3) _____ Markup
 - 4) _____ Profit
 - 5) _____ Retail
 - 6) _____ Wholesale
 - 7) _____ Pricing
 - 8) _____ Evaluate
 - 9) _____ Hard Goods
 - 10) _____ Labor Cost
 - 11) _____ Delivery
 - 12) _____ Cost-Effective
 - 13) _____ Specialty Items
 - 14) _____ Soft Goods
 - 15) _____ Appraise
- a) Economical in terms of the goods or services received for the money spent; producing optimum results for the expenditure; economical.
 - b) That part of the cost of goods and services attributable to wages, especially for direct labor.
 - c) Items not normally used as a floral container; items added to an arrangement to give added interest; seasonal or holiday items.
 - d) A negative difference between retail price and cost of production; negative financial gain.
 - e) To judge by using a specific set of standards.
 - f) The difference between the cost of production of an item and the price it is sold for at retail; making a financial gain.
 - g) To officially evaluate an item; to give an official value.
 - h) The amount as of money or goods, asked for or given in exchange for something else; the cost at which something is obtained.
 - i) Perishable goods such as cut flowers and potted plants.
 - j) Durable nonperishable goods such as vases, foam, tape, wire, etc.
 - k) Selling in large quantity to retailers for resale to consumers.
 - l) Selling directly to consumers.
 - m) The provision of help and assistance to a customer before, during and after the purchase of a product.
 - n) to take an item from location of origin to where it will be consumed or used.
 - o) An amount added to a cost price in calculating a selling price, especially an amount that takes into account overhead and profit.

The Business of Design Vocabulary Quiz Key

- 1) M Service
 - 2) D Loss
 - 3) O Markup
 - 4) F Profit
 - 5) L Retail
 - 6) K Wholesale
 - 7) H Pricing
 - 8) E Evaluate
 - 9) J Hard Goods
 - 10) B Labor Cost
 - 11) N Delivery
 - 12) A Cost-Effective
 - 13) C Specialty Items
 - 14) I Soft Goods
 - 15) G Appraise
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