

Trimming Your Cost Of Goods

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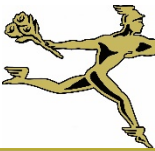
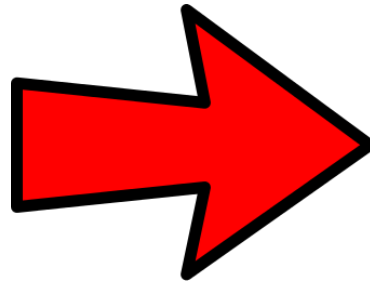
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The Flower Chain



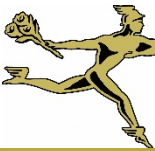
Why Is It Important To Learn?

- Improve Buying Knowledge Base
- Improve Product Freshness
- Increase Rotation Times
- **REDUCE COST OF GOODS**



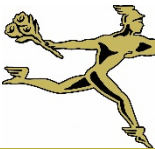
How Do Flowers Get From Farm To Retailer?

- Farm
- Transit Into USA
- US Customs & Border Protection
- Miami Importer/Broker
- Logistics To Destination Area
- Wholesale Florist
- Retail Florist



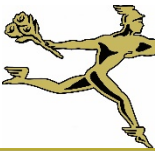
Farm Production

- Production time is 5-12 months for most products
- Challenges
 - Weather
 - Environmental Regulations
 - Workforce
 - Capacity



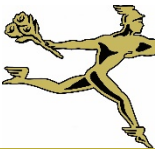
Transit Into USA

- Time Requirements Vary By Region
 - Columbia – 2 Days
 - Ecuador – 2 Days
 - Costa Rica – 2 Days
- Government and Airline Requirements Vary By Country, But All Require Booking Export Day Before Departure



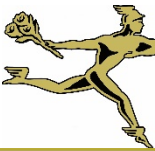
Transit Into USA

- Cargo Flights Generally Fly Overnight Into Miami
- Some Flowers Have Been Shipped Via Cargo Ship In The Past, However This Process Is Limited To Only A Few SKUs And Requires Large Quantity Purchases
- Challenges
 - Flight Delays
 - Cargo Capacity



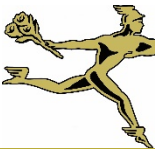
US Customs & Border Protection

- Upon Arrival Into USA, Imports Must Be Cleared Before Domestic Shipping
 - Inspect Shipments
 - Check For Contraband and Explosives
 - Check For Pests and Diseases
- Challenges
 - Box Counts Don't Match Airway Bills
 - Pests – Quarantine/Fumigation
 - Dependent on Government/3rd Party Outside Direct Control Of Importer



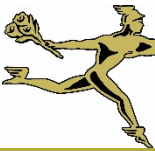
Miami Brokers

- “Wholesaler for Wholesalers”
 - Import Product, Mainly on Consignment Basis
 - Warehouse Product & Keep Available Inventory
 - Sell Mainly To Wholesalers
 - Deliver To Truck Lines/Airlines for Transit To Wholesaler/Retailer
 - This is “Miami Inventory” Term
- Challenges
 - Limited On Hand Inventory
 - Market Demand Based Pricing
 - Unknown Age Of Product (Product May Be Warehoused For Up To 7 Days)



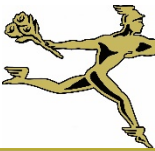
Logistics To Destination Area

- Box Handling Company
 - For “Farm Direct” Orders, Product Bypasses Miami Brokers And Is Picked Up From Customs/USDA By Box Handling Company Which Delivers Product To Truck Line/Airline For Domestic Shipping To Wholesaler or Retailer



Shipping From Miami

- Domestic Shipping
 - Truck Lines – 1-3 Days Transit Time
Approximate Cost \$4.00-\$12.00/case
 - Airlines – Same Day Transit Time,
Approximate Cost \$10.00-\$20.00/case
 - FedEx/UPS – Next Day Transit Time,
Approximate Cost \$25.00-\$75.00/case
- Challenges
 - Delays Due To Weather
 - Airline Cargo Must Be Picked Up At Airport –
Time Consuming and Hassle
 - Airline Cargo on Passenger Airlines Not
Climate Controlled



Wholesale

- Main Source Of Fresh Product For 90% of Retailers
- Maintain Inventory and Sell Product On Spec Basis
- Same Day or Next Day Delivery To Retailers
- Challenges
 - Limited to In-Stock Availability
 - Substantially Higher Cost For Retailer
 - Product Warehoused Up To 7 Days On Some Items – Unknown Age Of Product For Retailer



Farm To Retailer Progression

“Farm Direct” to Retailer

- Day 1 – Farm Order
- Day 2 – Farm Harvest/Ship
- Day 3 – Arrives Miami – Customs/USDA
- Day 4 – Available To Ship From Miami
- Day 5 – In Transit To Destination Area
- Day 6 – Delivered To Retailer And Available For Use

Traditional Supply Chain

- Day 1 – Farm Order
- Day 2 – Farm Harvest/Ship
- Day 3 – Arrives Miami – Customs/USDA
- Day 4 – Available For Sale At Miami Broker
- Day 7 – Ships From Miami
- Day 8 – In Transit To Destination Area
- Day 9 – Available For Sale At Local Wholesaler
- Day 10-14 – Delivered To Retailer





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Wholesale Florists



Wholesale Florists Positives

- Local Supplier
- Billing/Payment Terms
- Same Day/Next Day Delivery Service
- Available “In A Pinch”
- Small Minimum Purchases



Wholesale Florists Negatives

- Expensive
- Limited Inventory
- Unknown Age
- Unknown Origin
- Lots of Added Costs – Passed Onto Retailer
 - Building
 - Trucks
 - Salaries
 - Owners
 - Other Customers' Bad Debt





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True Farm Direct



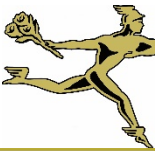
Farm Direct Positives

- Lowest Price Available
- Freshest Product Available
- Ability to Know In Advance Of Shortages
- Ability to Confirm Special Orders Months In Advance



Farm Direct Negatives

- Finding The Farms Is Difficult
- Managing Contacts At 20-30 Farms Is A Full Time Job
- Accounting – 20+ Bills/Week
- Logistics Into USA
- Retailer Order Is Small Compared To Farm's Other Customers
- What To Do If Product Is Not Available





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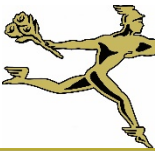
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Cooperative Purchasing



Benefits

- Leverages The Buying Power Of Multiple Retailers Together To Gain Purchasing Power
- Eliminates Expenses of Middlemen
- Brings The Freshest Products To The Retailer By Minimizing Transit and Hold Times
- Many Programs Offer Both Miami Based and Farm Based Products
- Some Programs Offer Overnight Shipping For Select Items



Generally Includes 90% of Flowers Used

- Alstroemeria
- Carnations
- Lilies
- Mini Carnations
- Fuji/Cremon/
Football Mums
- Pom Poms
- Roses
- Spray Roses
- Monte Casino
- Snapdragons
- Statice
- Sunflower
- Tulips
- Ranunculus
- Solidago
- Gypsophilia
- Limonium
- Bells of Ireland
- Callas/Mini-Callas
- Gerbera
- Hydrangea
- Hypericum
- Iris
- Gladiolus
- Liatris
- Matsumoto Asters
- Tropical Flowers & Foliage
- Israeli Ruscus
- Baker/Leatherleaf



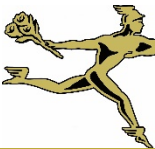
Customer Requirements

- Ability To Purchase Flowers in Cases
- Good Credit History
- Desire To Cooperatively Purchase
- Pre-Planning and Inventory Management Skills



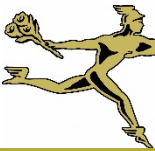
Key Benefits – Pooling Orders

- Buying Power Of Wholesalers & Importers
- Recognition and Priority From Farms
- Packing As Needed
- Selection Of Key Farm Partners



Key Benefits – Cost Analysis

- Elimination of Importer/Broker Costs
 - Saves 18-25%
- Elimination of Wholesaler Costs
 - Saves Additional 25%-50%
- SAVINGS PUT DIRECTLY INTO THE POCKET OF RETAILER



Example #1

- 60cm Premium Columbian Freedom Rose



Add up those pennies...

- National Wholesaler Average: \$0.96/stem
- Flower Buying Program: \$.71

If You Buy 200 Roses Per Week, It's A
Difference of \$50.00/week x 48 weeks:



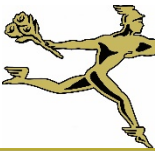
\$2,400 per year

***JUST BUYING ONE CASE OF
ONE ITEM EACH WEEK!!!***



Example #2

- Pom pom CDN
 - Traditional Wholesale - \$3.79
 - Flower Buying Program - \$2.76



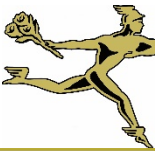
Example #3

- White Oriental Lily 2-3 Bloom
 - Traditional Wholesale - \$17.95
 - Flower Buying Program - \$12.40



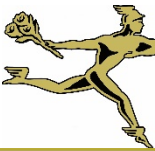
So... How Can Group Buying Benefit Me?

- REDUCES Fresh Flower Costs
- STANDARDIZED Pricing Model
- MINIMIZES Age Of Product When It Reaches The Shop
- LOGISTICS Are Handled – Customs, Freight, And Handling Are Not Issues For The Shop
- SOURCING The Best And Most Reliable Farms
- BOOKKEEPING Is Handled In A Clearinghouse Format – 1 Consolidated Invoice For All Product



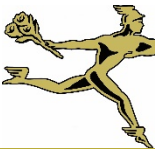
5 Rules To Buying

1. Know Your Needs
2. Buy The Bargains
3. Business Is Business
4. Add In All Of Your Fees & Charges
5. Pay Your Bills On Time



1. Know Your Needs

- Take Your Invoices From The Past Two Weeks And Add Up Items
- Buy Your Weekly Needs In Advance
 - Buying Group
 - Direct
 - Pre-Book
- Use What You Have



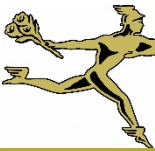
2. Buy The Bargains

- Overgrow
- Opportunity Buys
- Wholesaler One-Offs



3. Business Is Business

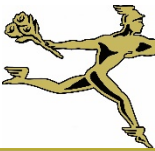
- YOU ARE IN BUSINESS
- Don't Allow Guilt Trips
- Don't Fall For The “Just Give Me A Little Something” Routine
- EVERY Supplier, No Matter How Long Or How Much You Deal With Them Must EARN Your Business, And Continue To Earn It Today And Everyday



4. Add In All Of Your Fees

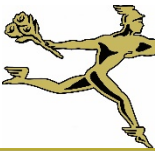
- Delivery Charges
- Fuel Surcharges
- Energy Recovery Costs
- Statement Fees
- Credit Card Processing Fees

$\$12.95 \times 6 = \$77.70/\text{week}$ or $\$4,040.40/\text{year}$



5. Pay Your Bills On Time

- Wholesaler IS NOT A Bank
- Interest at 18-24% is EXPENSIVE
- Default Rate Today Is 3 Times Higher Than 10 Years Ago
- Almost 1% of Wholesale Costs Goes To Pay OTHER SHOP'S BAD DEBT!!!





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Why buy from FTD Flower Exchange?

- Selection - With over 40 farms, you will always find what you need
- Quality - Specifications for post-harvest and packaging by flower type
- Logistics - From the farm to your shop in as little as 48 hours
- FTD Rewards - Save up to 20% on each order
- Convenient Billing - FTD Clearinghouse Statement
- Simple - Ordering and service online



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Questions???

Email: skip@rutlandbeard.com

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