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# Felly 1980

by Ann Dee Allen

*EDITOR'S NOTE: Last fall, when* Florists' Review *ran pictures of AAF's Sylvia arrangements accompanied by their creators' explanations, it was apparent that change is in the wind: Designers—even some who are known for extravagance—are becoming aware of the cost of time and the cost of materials. Those new awarenesses are affecting floral design, but, as far as the Sylvia portfolio for 1979 was concerned, the awareness was more apparent in the designers'* comments *than in their designs. It will take a while for design to catch up with the new theories. For now, though, we offer an outline of the theory as explained by Al Felly, Felly's Flowers, Madison WI.*

INFLATION is the lion with the most disturbing roar in today's arena of national problems. And, like the ancient Romans, few people in the stands realize that they may have to fend off the lion themselves if it escapes control of the gladiator and leaps out of the ring.

Too often, people believe that economic woes will vanish by the president or other leaders slaying them with one stroke. But some people discover that day to day self-saving efforts to nurse the economy can result in personal gain. Just as Androcles found in the fable of "Androcles and the Lion," the lion may be pacified by removing a thorn that is working against you, instead of by battling the lion head-on.

*productivity has not increased at the retail level*

The analogy may appear to be strong, but it can be related to problems in the floral industry. If people involved in the business look at their operations with careful evaluation and make changes to improve the situation, they will not only keep more money in their operation's pockets, but will also help the economy in general.

Productivity used to be the primary determinant in increased wages. But inflation causes wages and prices to soar when there is no productivity increase. The evolution of productivity as separate from earnings must be reversed by manipulating labor time as it affects costs.

*florists must adjust prices according to costs*

Productivity is the source of greater wages and benefits because it is the source of profits. Unfortunately, productivity has not increased at the retail level in the floral business.

The grower has done an excellent job of increasing productivity; but the retailer is also producing something by converting raw products—cut flowers—into finished items—arrangements. The retailer can also manipulate productivity by relating "manufacture" time to labor to control costs and returns.

One of the most important reasons for the florist to control manufacture time involves the power of leaders in the business. With wire services advertising arrangements that are too time consuming to be profitable at suggested prices, florists must adjust prices according to costs. This means finding out the productivity for each particular business operation.

Al Felly, Felly's Flowers, has four outlets in Madison WI. As his agitation over losing profits from some wire service bouquets increased, he decided to calculate how much certain arrangements cost to produce and adjust prices accordingly.

"Simply put, productivity is how well people work," he says. It is usually expressed as output achieved from the input of labor per hour. Although it can be explained easily, the formula is harder to put into action to create desired results in profit.

Because profit is obtained from dollars worth of sales per hour of labor, labor plus time equals the product, which means dollars in the cash box. The less time it takes to produce something, the more things there are that can be produced.

To begin applying this formula to particular operations, sales records and labor costs must be converted to a common denominator. Felly's sales records are totalled every month, or 12 times per year. Employees are paid 26 times per year, or every two weeks. To determine productivity he first converted sales to totals of 26 times per year.

The next step was to go back more than two years and figure every hour that every employee spent working. This was broken into sales achieved per number of hours, and finally, dollars earned per hour.

*"...the price of some wire service bouquets does not justify the amount of labor..."*

To determine productivity, sales must be divided by the *desired* amount of dollars earned per hour. "For example, records show that a store earned $10,000 in a 2-week period," Felly explains. "If the owner wants to establish a productivity of $30 per earned hour, he or she must divide 10,000 by 30. The result, 333, equals the number of hours employees must work for the store to earn $30 an hour ($10,000 in two weeks)."

The manager can schedule employees to work 333 hours during the two weeks. If there are too many employees or too many hours already scheduled, one or the other has to be cut or em-

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ployees will be on the job but not generating money for the store. If there are not enough employees to be scheduled in 333 hours, some employees will have to work overtime, or more employees will have to be added. This procedure is especially beneficial during holidays when schedules must be changed for increased demand.

*"... the store ends up losing profits ..."*

It is important to note that the productivity above refers to the amount of sales earned for every hour *each* employee works—including secretaries and maintenance workers, not only arrangers. Productivity for the design bench alone will be mentioned later, but in figuring productivity for the store all labor costs must be included.

Increases in productivity were obtained at all of Felly's locations as a result of his mathematical efforts. In 1978 the central store was making $27.93 per hour per employee—a productivity of 27.93 percent. In 1979 the average productivity increased to 32.56 percent. The westside store rose from 23.46 percent to 24.24 percent. The eastside store shot from 24.73 percent to 37.28 percent and the Monona outlet's productivity average rose to 30.70 percent from 23.24 percent.

The above calculations demonstrate how to battle inflation on home turf. But the information that has been relayed so far collapses when outside sources dictate what designs contain. Outside sources—namely wire services—can be culprits in setting up insurmountable hurdles for controlling inflation.

"I have found that the price of some wire service bouquets does not justify the amount of labor that goes into their making," Felly attests.

Here is where productivity for the design bench is determined separately from productivity for all employees.


When the wire service that arranged this piece suggested it be sold for $15, Felly felt he had to warn retailers that such arrangements cannot be made at a profit. The wire service tradition of suggesting such designs is long, so Al had given the matter a good deal of thought before adding a surcharge to the wire-service pieces that left his shop. Other retailers, regardless of affiliation, should give the article a good deal of thought before wiring off their next piece.

Felly's arrangers earn an average of $4 per hour and 40 percent in fringe benefits. Adding the wages and benefits, the cost of labor for one arranger per hour is $5.60.

"Time studies have shown that my arrangers are able to make about 100 insertions per hour," he says. (Insertions include cut flowers, greens and ornaments.) The studies were not conducted as races; the results were obtained from averages taken under normal working conditions including organizing supplies and cleaning up.

At 100 insertions per hour and $5.60 labor cost, each insertion costs 5.6 cents. Silk arrangements cost 12 cents per insertion, Felly estimates.

"If a wire service advertises a bouquet with 112 insertions, it will take more than an hour to make," he says. "With labor costs at $5.60 per hour, it will cost $6 to pay the worker. If the bouquet sells at the price suggested by the wire service, productivity for the design bench is only about 45 percent. When pay for other workers is included, the store ends up losing profits.

"To compensate for this I have readjusted the price schedule," Felly explains. "A 15 percent surcharge is added for the round bouquets which contain so many flowers. This is where inflation comes in. Although productivity has not increased, the bouquet has to be priced higher for the store to pay the employees and still obtain a profit."

So the cycle continues; as products cost more, people must earn more to pay for them. But, when productivity has not increased, and there is no greater output of goods to earn money to pay higher wages, inflation strikes again.