

# How To Make Executive-Level Earnings With Giftbaskets

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## How To Make Executive-Level Earnings With Giftbaskets

Finding the "perfect gift" for a special occasion is, for many people, an exercise in frustration. Going from store to store only to find exorbitant prices or poor quality merchandise can take most of the pleasure out of gift giving. Too often we settle for a gift that isn't what we want to give simply to be done with the whole process. Wouldn't it be great to have a selection of creative gifts to suit any occasion?

Gift-giving isn't just a seasonal concern -- there's always an occasion. And today, many people are taking the matter into their own hands by creating affordable, unique gift ideas. These people have discovered the exciting new business of custom-made gift baskets.

Gift basket making has become a rapidly expanding cottage industry, allowing the entrepreneur to have fun, be creative, and make livable profits. The business of making gift baskets requires a small initial investment as a home-based endeavor and can grow into a multi-employee operation in a relatively short time. For the enterprising and creative person it is a great way to start a small business with an unlimited market.

Starting a gift basket business as a home-based operation is an ideal way to begin since a lot of equipment is not necessary and there's no rent to pay on office space. The biggest expense could be a car to be used for delivery of the gift baskets. Utilizing existing shelving and garage space for storage also helps this home-based business cut down on expenses.

Some people have found that by working an average of 25 hours a week an annual gross of up to \$15,000 is possible. Of course, profit depends on individual initiative and efficient marketing. Once a handsome "home-generated" profit is realized, an expansion to a larger gift basket service could mean a sizable yearly income.

### BUSINESS OVERVIEW

In order to begin a profitable venture in the gift basket business the individual entrepreneur must be well prepared. If the business is to be, at least initially, home-based, several basic steps need to be taken.

- (1) Find the appropriate inventory at affordable prices.
- (2) Create gift baskets that are not only marketable, but more pleasing and affordable than those of the competition.

(3) Develop an efficient system of delivery as well as selling retail for customer pickup.

(4) Price gift baskets for the highest profit.

(5) Promote the business at minimal expense.

These initial steps are not all that difficult. They will require time, a small monetary investment, and even a little experimentation. Once you develop a system for making gift baskets, you can begin to be more creative, making specialized "theme" baskets filled with exotic treats that will increase demand by your market.

Most people getting into the business of gift basket making have some experience at creating these delightful gifts. As a hobby, these people have made baskets for relatives and friends as gifts for special occasions. Creativity is essential. If you are skilled, or have some experience, in craft oriented ideas, creating unique and irresistible gift baskets shouldn't be a problem. However, the person who has no practical experience, and who is not "naturally artistic" might do well to hire a creative friend or relative as a partner in this business venture.

It's a good idea to test your ability to create marketable gift baskets before you get into the business. You can do this by purchasing some baskets and basic materials such as gourmet foods, fragrant soaps, colorful ribbons, exotic teas or baby-care items for a "new baby" basket.

You need not go to great expense. Get enough items to make two or three baskets and then experiment. You'll soon realize what it takes to make individual gift baskets -- patience, creativity, and imagination. Operating a gift basket service is most often an endeavor taken by people who relish the creativity involved in making the baskets. If you plan to establish a one-person, home-based gift basket service, you'll need the discipline necessary to perform a professional service. In some instances, usually during the holidays, you can plan on a six-day-a-week, 10 to 12 hour a day job. If you know where to find the customers, and you're willing to put in some long hours, the pay-off can be quite rewarding.

## GETTING STARTED

A gift basket service can be a successful venture operating out of a home. Since there is no "store" location involved there need not be a substantial outlay for rent or equipment. Inventory can be stored in existing storage spaces within your home and garage. You may have to add some shelves for proper storage, but these can easily be constructed at little expense.

Most homes already have some of the equipment needed for business use -- a phone and a typewriter. If your phone isn't equipped with an answering machine, you should get one since orders may come in while you are out making deliveries. Not much else in the way of equipment is essential. However, you may want to invest in some sort of file cabinet and cash box.

Another piece of equipment -- a shrink wrap machine -- will add a touch of professionalism to your operation. This machine wraps your baskets in a clear or colored plastic film. Good shrink wrap machines sell for about \$400.

If you need to buy office furniture, don't get carried away. A small desk and chair, along with your file cabinet and bookshelves, are all that is really needed. This should be an expense you can hold under \$500.

You'll also need adequate record keeping equipment as well as stationery, envelopes, business cards, sales slips, invoices, containers, labels and other miscellaneous items. Most of these items can be purchased at local office-supply stores. Again, don't go overboard. Buy only what you need.

Most gift basket orders can be taken at home by phone, and the finished product can be delivered to the customer's home or place of business. If some of the deliveries are not within reasonable driving distance, the local UPS can handle the delivery.

It is important that you keep a log of all your deliveries. Be careful to get the full name, correct address and phone number of the recipient. Should you get lost, you can call and get directions to put you back on course. Most home business owners average from 2-5 deliveries per hour. All UPS deliveries should be logged the same as other deliveries, and you should keep a record of all postage costs.

Since as much as 80 percent of your orders will come in by phone, you'll either have to be available or have an answering machine. Scheduling deliveries for morning hours will allow you to spend the rest of the working day answering the phone and arranging new baskets.

If, for some reason, a home-based business is not feasible, another way to get started in gift basket servicing is to rent a space or office in your community. Specialty shops are good locations for a gift basket business because you will be providing a "special" service.

Renting or subleasing space in an existing shop can be beneficial to both parties involved. You will be getting adequate work space for your business while paying a percentage of the

owner's monthly rent.

Once you've decided where you will start up your gift basket business you'll need to begin making "business" like decisions. After all, you will be the boss. You'll have to decide how much time you are going to invest in the business. You can plan your hourly work week by determining how many baskets you are willing to make. This is an individual matter. It depends on how much time you have and how much profit you wish to make.

## INVENTORY

To be successful in the gift basket business you must offer baskets that are unique and filled with pleasing and useful items. You'll need to locate a good source for the type of baskets you'll be offering, and you'll need to shop for the appropriate items to fill those baskets.

Initial inventory should be a combination of wholesale and retail items. The wholesale inventory should be made up of items to be used in large quantities as "fillers" and in the most basic basket arrangements. Retail inventory should consist of items used in making customized or thematic baskets.

Some people getting started in the gift basket business have taken the initiative to contact various stores and businesses that offer gift baskets for sale. Through these contacts, new owners can obtain information on what kind of baskets and themes work best. The beginner can then create gift baskets based on what has worked for others.

Most home-based gift basket services purchase baskets wholesale. Before doing this you must determine the type and size of the baskets you'll be making. You'll need to know if you'll be specializing in small gift baskets or large, or a combination. Depending on your location, you'll most likely need to go to a large city to purchase baskets wholesale.

As a small, home-operated service most of your customers will be interested in basic, relatively inexpensive gift baskets.

If the need arises for more elaborate and expensive "designer" baskets you can purchase those wholesale too.

To begin, you should purchase just a few types of baskets, such as planters, fruit bowls, baby baskets and candy baskets. These baskets are most likely to be in greater demand than other "special" baskets. When ordering baskets, it is a good idea to ask your supplier for recommendations. This is a good way to learn the proper styles and amounts of baskets you should have on hand. Of course, your customers will also furnish you with invaluable insight into the types of baskets best suited for your

market.

Once you have located and purchased the types of gift baskets you plan to offer, you'll need to get items to fill them.

Keep in mind the kinds of baskets you are offering. Don't go overboard on expensive merchandise that isn't appropriate for the baskets you have in stock. The thing to remember is ... stick to the basics.

Since toiletry arrangements are very popular, you should have a good supply of lotion, shampoo, bath oil, soap, and fragrant powders. With these arrangements, it is also a good idea to have in stock several all-natural items, and children's products.

The initial inventory should also include items for popular gourmet food arrangements. You can shop around and find an intriguing selection of teas, coffees, crackers, cheeses, sardines, oysters and fruit. Some people include wine, beer, and champagne in these gourmet arrangements, but a special liquor license is needed to resell these items. That's an expense a beginner may want to put off until the business is turning a profit.

Your start-up inventory should also include popular items such as candles, toys, stuffed animals, dried flowers, small books, stationery, writing utensils, and an assortment of items such as golf tees, tennis balls, socks and gloves.

Another aspect of gift basket inventory is decorations. With each basket you'll want to include an assortment of trimmings, labels and cards. You'll also need a supply of ribbon, artificial grass, tissue paper, small cards with envelopes and tape. These items can normally be purchased in quantity, and that can save money on your initial investment.

To find current manufacturers and distributors of gift basket supplies you should scan the directories published by many giftware magazines. You can call or write to any of these magazines to find out if they have any directories to offer, and if so, how much they charge. You can also subscribe to trade magazines to keep abreast of new companies entering the gift basket supply market. A trip to your local library should furnish you with ample information about various giftware and relevant trade magazines.

Usually, when starting up, a new gift basket service will only need a few suppliers. Besides locating these suppliers by the methods just described, you can attend tradeshow, wholesale showrooms and conventions. A thorough and patient research of suppliers will allow you to select the most reliable people to do

business with. You'll also get quality merchandise at the most affordable prices.

When selecting suppliers you should decide whether you wish to deal with manufacturers, distributors, independent craftspeople, import companies, or some combination of the four. These are general categories, but they do describe most suppliers you will be dealing with.

Many small business operators buy from manufacturers because their prices are usually the lowest. One drawback to buying from manufacturers is that your business location may mean high shipping costs. Buying from a distributor usually results in paying higher prices than those to a manufacturer, but if the distributor is nearby, shipping costs are lower and delivery is quicker.

Some of the gift basket makers best purchases are made from independent craftspeople. Since most of their products are made at home, quantities of specific items may be limited, but often a working relationship between the craftsperson and gift basket operator is a profitable arrangement.

Depending on individual attitudes about buying foreign products, import sources can supply a gift basket service with both exotic and practical merchandise. The type of suppliers you use depends on the type of merchandise you plan to market, your budget, and your business location.

Once you have an adequate inventory of baskets and supplies you'll need to determine how to price the finished product. Most first-time business operators find that adding a 100 percent markup straight across is the least complicated method of pricing. This percentage of markup normally covers all expenses and still allows a reasonable profit.

You can determine prices in a more complicated fashion. This method requires keeping a log of how much time it takes to make each basket. You'll also need to figure in the cost of the basket, the "filler" items, and trimmings. If the basket is to be mailed, figure in postage. If it's to be delivered, add for gas, mileage and time. Also determine overhead costs, and then decide what you consider a fair margin of profit. Once you've done all that, you should be able to come up with prices for each basket.

The most important thing a new gift basket business owner should realize is that starting slow, with a small inventory is the most prudent and safest way to begin. It may take about one year for a new gift basket business to get established. After that amount of time and experience, the owner should be able to determine what sells best as well as monthly sales and inventory turnover. With this information, the owner can decide how much

inventory to carry. If the business is to be profitable, it is essential to have the proper amount of inventory without an excessive outlay of cash.

## THE MARKET

One of the most appealing features of the gift basket business is the virtually unlimited market. Everyone loves to give and receive baskets, and gift-giving is an almost constant occurrence.

The most significant customers for a gift basket service are women. A large percentage of these women are married with children and full-time jobs. For whatever reason, these women are still largely responsible for selecting and buying gifts. Since women make up the largest percentage of the gift buying market catering to their tastes and ideas will furnish the owner with a good source of information about what arrangements work best.

Another important type of customer for a gift basket service is corporate clients. Often, these customers send gifts to business associates and their own clients. For corporations and businesses, gift-giving can present a problem. Most businesses choose to give gifts not only during the holidays, but in recognition of employees promotions, retirements, birthdays and anniversaries. The gifts they choose need to be appropriate and personal. Gift baskets are ideal for this type of giving.

A new business will have to do some promoting to let corporate customers know about their gift basket service. But the effort could be well worth it. Corporate customers could provide a sizable volume of sales, and on a repeating basis.

Even if your gift basket service is going to be home-based and in a relatively small community, you will need to have a good idea of the available market. A decision must be made as to the customers you will cater to. This will help you determine the type and price range of your product. In order to understand and best utilize the available market, you should conduct a market survey.

To conduct a usable market survey, several basic steps must be followed.

- (1) Establish the limits of your market or trading area.
- (2) Research the population within your potential market to understand spending patterns and characteristics. A population base of 25,000 is usually a sufficient market for a home-based operation.
- (3) Figure the trading area's buying power.

(4) Find out the current sales volume of any competing businesses in your trading area. If there are no actual gift basket businesses, determine the sales volume of the type of goods you will be marketing.

(5) Project a reasonable proportion of the total sales volume you can achieve.

Many government agencies, trade associations, or other businesses within the gift basket industry have compiled reports and studies that will furnish you with much of the market survey information. Some information you will pull together on your own.

## PROMOTING YOUR BUSINESS

One of the most important keys to the success of any business is marketing. In order to make potential customers aware of a new business, advertising and promotion are essential. That's because a new business needs a direct line of communication about the product to potential customers.

There are many effective methods of getting the word out about your business. What works best often depends on location of the business and the amount of money available to spend on advertising and promotion.

In some cases, especially in smaller markets, word-of-mouth advertising is responsible for a great deal of business. But, if the owner wishes to expand the business an advertising and promotion budget is necessary. The amount budgeted for this purpose can vary. Many businesses budget advertising and promotion based on anticipated gross sales. In most cases, an advertising budget of 2 to 5 percent of projected gross sales has proven effective.

Most small businesses usually advertise in the following media:

- (1) Newspapers
- (2) Radio
- (3) Direct Mail
- (4) Yellow Pages
- (5) Magazines

In smaller markets, word-of-mouth advertising, combined with the local radio station and newspaper can be very effective at reaching new customers. Direct mailings are also a good way to

advertise within your budget.

For a home-based business catering to a local market, newspaper advertising works very well. Most local newspaper ad rates are reasonable, and a display or classified ad should bring your product to the attention of a high percentage of potential customers.

Many new gift basket service operators take advantage of free publicity generated in local newspapers. Most local newspapers are happy to give write-ups to new local businesses. You should also furnish the newspaper with any information you have about contest promotions or charitable endeavors. Anything about your business the local newspaper can use as "fill" in their paper, they usually will accept. This is a highly effective way of getting publicity for your business and catching the attention of potential customers.

Small market radio is also an affordable means of advertising. You can get spot announcements on most small, local radio stations for less than \$10 per announcement. Special reduced rates are usually available if you buy a certain quantity or "package". Although most local radio stations cover only a limited area, the coverage is sufficient for your market.

Gift basket business owners frequently use direct mailing as a means of attracting new business. This form of advertising is highly effective in that it brings a straight forward sales message to a high percentage of potential customers. Since special postal rates are provided for direct mail it is one of the most affordable forms of advertising.

There are different methods of obtaining mailing lists for use in direct mail advertising. Some businesses purchase them from list brokers while other advertisers consult the yellow pages under "Advertising." Normally, renting a mailing list for one-time use will cost up to \$70 per thousand names.

If you are purchasing a mailing list from a broker, choose an established service. Find out how often the list has been rented over the past several months. Also inspect the list thoroughly. It may be wise to contact some of the previous renters to find out what success they had with the list.

Another highly effective form of advertising is the yellow pages. Regardless of budget, an ad in the yellow pages of your local phone directory is a smart investment. These advertisements can be creative listings complete with illustrations, or a simple one-line mention. If possible, get the largest display advertisement you can afford. Many local customers scan the

yellow pages when looking for a special service, such as gift baskets. So an attractive yellow page ad is one of the best ways to advertise a business.

Many small business operators also use brochures to convey the services they offer to potential customers. These brochures describe the assortment of baskets you make and contain your mailing address and phone number as well as outline your method of delivery. Your brochures can be as elaborate or as basic as your budget will allow. But they will lend an air of professionalism to your business as well as describe in detail what service you have to offer.

The purpose of advertising is to entice potential customers to try your product. As a gift basket service owner you want to convince customers that your baskets are the best and most affordable on the market. Effective advertising and promotion is the surest way to reach potential customers and clients.

## POTENTIAL PROFITS

Since the gift basket business offers a product that is always in demand, the profit potential is impressive. Some home-based gift basket services have reported gross profits of over \$100,000 a year. And many of these people started their gift basket services with less than a \$2,000 investment.

Even small baskets produce substantial profits. An average gift basket may cost the business owner from \$5 to \$10 and retail for as much as \$50. Spare-time operators have reported selling an average of 10 baskets per day, priced from \$35 to \$50 per basket.

In a year's time, that could mean a profit of nearly \$100,000 with very little overhead involved.

Although the potential profits from a gift basket service, even with a minimal initial investment of \$2,000, are substantial, you should have an estimate of your potential sales and profit before you start your business. There are several factors involved in estimating monthly sales and profit:

- (1) Make an estimate of how many people in your market are viable prospects as customers for your product. In making this estimate, be reasonable and conservative.
- (2) Estimate the average sales you can reasonably expect from each customer.
- (3) Figure out the total yearly sales volume by multiplying

the projected number of customers by the projected amount of money each will spend.

(4) Project seasonal sales patterns. Each month of the year should have varying percentages of the total volume, especially holiday months.

(5) To estimate monthly sales, take the total annual sales figure from step three and multiply it by the estimated monthly percentages.

(6) Adjust these monthly sales estimates by taking into consideration the start up period. This will be strictly an estimate if you haven't yet started the business.

(7) Subtract all your labor, materials, and overhead expenses from the monthly sales estimates. The remaining figure is your net profit before taxes.

These steps may seem somewhat complicated, especially before you've started the business. But this projected operating statement makes good business sense and will give you a head start on handling your finances once your business is off the ground. Once the business is in full operation and actual operating information is available, you can update your projected operating statement on a regular basis.

The potential for profit from operating a gift basket service depends on several factors. Most important is the market of potential customers. The amount and type of inventory you have to offer along with the creative quality of your gift baskets, also plays a major role in your financial success. If you are a disciplined and enterprising person, your potential earnings from a gift basket service could very well climb into six figures.

## SUCCESS ANALYSIS

Eight contributing factors are measured on a 1 to 10 basis (with 10 being excellent) based on analysis of this opportunity.

1. Time Investment	7
2. Start-up Costs	6
3. Gross Income Potential	8
4. New Income Potential	7
5. Income in Relation to Investment	7
6. Stability	9
7. Overall Risk	6
8. Potential for Growth	9

Overall Potential for Success                      7.38

## LEGAL REQUIREMENTS

One of the first things a new business owner has to consider is the proper legal form under which the business will operate. The business can either operate as a sole proprietorship, partnership, limited partnership, or as a corporation.

Whatever the legal form of your gift basket service, you'll need to be aware of all the legalities involved. If your business is a sole proprietorship operation, you won't have many legal forms to worry about. The only legal papers required for a sole proprietorship are a business license and a fictitious-name filing with the county clerk's office.

If you choose to operate your business using a distinctive name, other than your personal name, you'll most likely be required by the city, county or state to register the name. The method of doing this will vary from state to state, but in many states you simply pay a small registration fee at the county clerk's office. Some states may require placing a fictitious-name advertisement in a local newspaper.

To find out the proper procedure for your area, contact your bank and find out if it requires a fictitious name registry or certificate in order to start a business account. If it does, the bank personnel can tell you where to obtain one. Filing a fictitious-name notice will cost anywhere from \$10 to \$100.

Unlike other forms of business, a sole proprietorship requires no separate income tax returns. As a sole proprietor, all of your income and expenses will be reported on Schedule C of IRS form 1040. If you aren't familiar with tax laws and regulations for business operations, you should consult with a professional accountant.

Keeping records of your business operation is also required by law. These records are used to determine your tax liability. No specific type of bookkeeping system is mandated by law, however your records must be accurate. They must also show your income, deductions, credits, and other information required by federal, state and local regulations.

If your bookkeeping skills are less than adequate, you'll need the help of a competent professional. This will mean an extra expense, but it's an expense you cannot afford to overlook.

Having accurate and complete records is not only a legal requirement, it is also an efficient and professional way to operate a business.

## CONCLUSION

Operating a home-based gift basket service can be a highly

rewarding venture. By following several key steps, an enterprising individual can turn creativity into profit.

(1) Investment -- Unless you have unlimited capital, keep your initial cash outlay for equipment and inventory to a minimum. You should be able to start up with an investment of between \$2,000 and \$3,000. In some cases, even less.

(2) Product -- Learn to design and arrange gift baskets that will keep you far ahead of any competition. If you have no practical craft experience, there are courses that teach the fundamentals of gift basket making. If you have limited artistic ability, enlist the services of a more creative friend or relative. The irresistibility of your product is the key to your success.

(3) Marketing -- Investigate, then utilize the most effective means of advertising and promoting your business. Develop a realistic advertising budget that will allow you to reach every potential customer in your market.

(4) Regulations -- Be well versed in, and adhere to, all rules and regulations pertaining to a small home-based business. The regulations vary from state to state and will most likely require some research or instruction from a professional consultant.

(5) Bookkeeping -- Maintain permanent and accurate business operating records.

Since the market for gift baskets is virtually unlimited, the business of making and selling this product is rapidly growing. Operating your own home-based gift basket service is an ideal way to be creative, have fun, and realize substantial earnings. If you're interested in starting a small business that allows you to be creative and to make money, a home-operated gift basket service is the perfect opportunity.

## SOURCES

### Business Guides:

AEA Business Manual No. X130, Gift Basket Service. From American Entrepreneurs Association, 2392 Morse Ave., Irvine, CA 92714

Tara Perkens Baskets, 2796 Harbor Boulevard, #107 Costa Mesa, CA 92626

### Publications:

Giftware Business, 1515 Broadway, New York, NY 10036 (212)

869-1300

Associations:

Gift Association of America, 1511 K St. N.W., Ste. 716,  
Washington D.C. 20005