

The Business of Flowers

Yes, she loves flowers, but Christina Stembel turned an idea and \$49,000 savings into a \$15 million e-commerce floral business by thinking like an entrepreneur, not like a designer.

BY DEBRA PRINZING



Farmgirl Flowers' founder **Christina Stembel** is not a typical Silicon Valley start-up darling. She isn't backed by venture capital firms who have ponied up millions of dollars to fund her launch; she doesn't have slick office space where the staff get to play Ping-Pong or video games after grazing on catered vegan lunches. She drives a hand-me-down car and lives in a rental house with her husband **Neil Hiltz**.

If all goes to plan, fortune may follow the fame she has received (as in great media attention and hundreds of thousands of loyal customers), but for now, there's more grit than glamour in the life of this 39-year-old CEO.

How it all came about

Magazines and newspapers have helped her tell Christina's story, and you've probably read ver-

sions of it before. It goes like this:

An Indiana native who moved to New York City after high school in search of her future, Christina found work in the hospitality industry. That led her to San Francisco and eventually to a position at Stanford University in Palo Alto, Calif. There, she ran events for the law school, events that often required floral arrangements.

"I couldn't understand why the flowers we purchased cost so much, so to help our budgets, I started buying from a grower in Half Moon Bay, where I lived. I started researching the industry and learned why flowers cost so much — I learned about imports, waste, declining sales among younger consumers and much more. And I thought I could figure out a way to do it differently, and hopefully better."

With the lofty goal of "transforming the flower



industry,” Christina started Farmgirl Flowers in the fall of 2010 with \$49,000 savings. The dining room of her small apartment served as headquarters. “I devised a business plan to solve a couple of the main problems that really disturbed me about the industry,” she explains. “First, I wanted to source only domestic flowers within 200 miles. Second, to address the issue of waste, I came up with one daily arrangement. Through focus groups, I found that many people didn’t care what flowers they were getting; they just wanted to make sure those flowers were beautiful.”

Farmgirl Flowers’ original product line featured one bouquet, either hand-tied and wrapped in burlap (which she created and trademarked) or arranged in a vase. “We delivered by bicycle courier, which was a green practice and easier than cars in San Francisco,” she adds. From the beginning, Christina tried to buy farm-direct as often as possible. Totally self-trained as a florist, she developed the Farmgirl “look,” which is a bouquet that’s loose, lush, leafy and gathered, wrapped in recycled burlap coffee bags and tied with a ribbon.

Fast forward, and Farmgirl Flowers closed 2016 with \$10.2 million in revenue. Bicycle couriers still deliver hundreds of burlap-wrapped bouquets each week to happy San Francisco customers, but now there is national delivery, which comprises 80 percent of sales. There are numerous copycats (our observation, not Christina’s; past litigation has barred her from using terms like “copy” when referring to competitors), and many of those are swimming in venture capital.

We caught up with this floral entrepreneur to find out what keeps her motivated and how she continues to stay excited by the business of flowers.



FR: You’ve enjoyed more than 200 percent growth year over year. Do you think you’ll be able to maintain that pace?

MA: This year, 2017, we’re not going to quite reach that. As we grow, it becomes harder to keep pulling out the huge numbers. I think we’ll come in at \$15 to \$16 million for the year, which we’re still quite happy with. We’re now in the hump, which is a challenging place to be — right in the middle, size wise. We’re still trying to grow as fast as we possibly can, but we have to pace our growth because we’re subsidizing our shipping program quite a bit to build up the buying power we need to compete with larger e-commerce companies. And now our payroll and flower costs are huge. In that \$10 million to \$50 million range, it’s harder to make profit, but we’re okay consciously running a low profit margin in order to subsidize our growth. We want to compete in the “big guy” arena, and are happy that we’re on our way there.

FR: How many employees do you have at Farmgirl?

MA: Today, we have 96 employees, more than double the year prior. About 65 of them are full-time, and the rest are independent contractors by choice. People who want full time receive full time, plus full benefits — medical, vision, dental and a 401(k) — after one year of employment. We consider full-time more than 32 hours a week. People can even work four days a week and get all of these benefits. Our average pay is about 60 percent over San Francisco’s minimum wage.

FR: Are you profitable?

MA: Yes. We were profitable as of two years ago. We run at a very low profit, though, and we reinvest all of our profits into the company to fund growth. We're doing it very consciously, putting money back into Farmgirl, so we only run a couple percent profit margin.

FR: What are you investing in, specifically?

MA: Most of that money goes into subsidizing our shipping program right now. We did 2.1 percent net profit last year, and I can't believe how hard I worked for that. If we weren't doing shipping, we would be a much smaller company, but we'd make more profit, which is really crazy.

FR: At some point, you began to saturate the San Francisco market, right? Isn't that why you added national shipping?

MA: Yes. I built this company to be a national brand. I didn't start this little flower shop and then just luck out. It was all a very conscious plan from the start. That's what I think people don't understand. I never went into this to try and take away local florists' business in San Francisco. I built this to compete with the big guys.

FR: Who do you mean by "big guys"?

MA: I don't want to say any company's name in any article because of the legalities. I'm learning. You could say "traditional e-commerce companies." There are a lot of them, but I'm pointing out anyone in particular.

FR: What is your customer base?

MA: We have a pretty robust mailing list and social media following. Our combined audience is about 400,000.

FR: And you communicate with that list weekly. I know, because I'm on it.

MA: Yes, we send weekly emails and also use social media. We have 120,000-plus followers on Facebook and 144,000 followers on Instagram. We have really devout fans, and I'm so grateful for them. I think they really get that we're authentic. There are real people behind what we post. It's not from a marketing team outsourced to another company; it's just us.

Farmgirl FLOWERS™

FR: To what do you ascribe the success or popularity of the Farmgirl Flowers brand?

MA: I think it's because we keep it real. We're not just making a better flower arrangement, we're also putting just as much effort into the customer experience. Customer service is equally, if not more, important to us. Our customer service is in house; we have a team of five now, plus a manager. We admit when we mess up, and we try to make it right. We do everything in our power to salvage the relationship with our customer.

When people call us the "Zappos of flowers," it's the best compliment. On top of that, we also put just as much effort into building a good company. We share our struggles with our customers so they know they can trust us. Everything we do, we do with heart. And I think it shows.

FR: How did you figure out your market?

MA: I researched the flower space and found a lot of confusing numbers. People like to quote numbers for the overall market. I see a lot of people use the \$35 billion or even a new \$50 billion number, the source of which I'm not sure about, but the point is that the market I was entering was neither of those. I was entering the e-commerce space, which was a \$3 billion market size. It's really important to know what your market size and your potential share is within it.

Also, to test my idea before I quit my job and dove in, I did a focus group. I had friends come over and bring two of their friends, so it wasn't all people who were just like me. I presented flowers from many of my potential competitors, and I made an arrangement in what is now our signature aesthetic. Everybody in the focus group picked my arrangement over competitors' bouquets, and 86 percent said "yes, they would give up choice." But 14 percent said, "No, I am the person





who calls the florist and asks for three peonies, six tulips and four roses. I want it to look exactly like I want it to look.”

So I asked myself, is 86 percent enough of the market? If it had been flipped, and only 14 percent said they would be willing to give up the action of choice, I wouldn’t have launched Farmgirl Flowers because that wouldn’t have been a large enough market for me.

I love focus groups. When in doubt, I ask. You can save your company a lot of money by doing good research before spending lots.

FR: What other research did you do?

MA: I found a business that has a similar model in another industry. As crazy as it sounds, In-N-Out Burger was my model company. I saw what worked for them and the 30-minute lines customers were waiting in just to buy burgers. They do what they do well, and they don’t try to be everything to everyone. They are going after a niche customer who wants a good burger, good fries and a good drink, and that’s it. So I thought, “Let me see if I can be the In-N-Out Burger for flowers, and let’s see if people will give up choice if they have a reasonable expectation of the flowers being beautiful, and let’s build a really good reputation for customer service.”

FR: Why haven’t you accepted money from investors or venture capital firms?

MA: We weren’t able to get money when I was looking for it, and now I just don’t have the time to devote to the process. I used to think that you had to raise capital in order to be successful and grow into a large company. I know better now. The reasons we can’t raise capital in the same ways as other companies is because we’re

not willing to sacrifice doing what we think is the right thing in order to increase net profit margins. I’m not going to make everybody independent contractors to save all of the money on insurance and workers comp. I’m not going to go for the cheapest flowers, no matter where it’s coming from. I’m going to ethically source and know where our flowers are coming from and pick the best flowers, including locally sourced flowers from farms I’ve worked with for five years — even though it costs more.

The same reasons we were unable to get funding are the same reasons that differentiate us and what I think customers are drawn to. Consumers want companies who are making the right decisions and taking care of their team members.

We also make all of our arrangements in house, and many of our competitors do not; they outsource. I believe that to build a great company, we need to be able to control the entire process and ensure those bouquets meet our high standards.

FR: Earlier this year you announced that you were going to begin sourcing flowers from outside the U.S. You posted a letter on your website that explained that you were faced with a challenge of sourcing enough flowers from domestic farms and that Farmgirl will now “source directly from farms abroad whose values align with our own.” And you said, “We will continue to buy the majority of our flowers from U.S. growers (at least 80 percent right now) and will be subsidizing with flowers we can’t get enough of here.” What has the response been to this announcement?

MA: I was really nervous. I knew I needed



“Am I building a company that I'd want to buy from, sell to and work for?”

to write that letter to lay it all out there. I had to say, “This is the situation, and this isn't what I want to do. I'm sad about this, but I'm just going to be honest and tell people why.” Then, we started getting emails, and they were so positive. Everybody was so nice, so supportive and so thankful that I was honest with them. Customers who I had never met wrote things like: “I've always bought from you because I love your aesthetic, and I'm going to keep buying from you because I love your heart.”

We announced this on Jan. 25, and we had a good transition. At Valentine's Day, we received only between 20 percent and 25 percent of our confirmed domestic flowers, a lot due to the heavy winter rains in California. Had I not been able to use imported flowers, we would not have been able to fulfill our orders, which is what I feared, and it proved that I made the correct decision.

FR: How do you handle the proliferation of look-alike companies that have popped up since you created Farmgirl Flowers?

MA: I can't say I'm not bugged. I was in a very fearful place a couple of years ago, scared that I was going to go out of business, especially because many of those companies were getting millions of dollars [from investors]. Now, I try to take the emotion out of it and look at it from a more pragmatic place. I've come to the conclusion that I just need to do it better. And I think we are doing it better because everything is filtered through the lens of this question, “Am I building a company that I'd want to buy from, sell to and work for?”

I know my standards are high, and I also know how much work has to be done to do it that way. That gives me some solace. It's all about execution, and the execution is really hard. There is room for a lot of players in the arena, and I hope that consumers, who I think are much savvier now than ever, will be able to see through all those other players who are just taking other people's ideas and regurgitating them. I hope that the consumers will be able to choose the real, the authentic and not just the one who is taking a shortcut. I constantly think, “How can I do this better?” That's exciting to me to do things better every day. Every day I try to out-do my previous day's self.

FR: What are some of the infrastructure challenges you've tackled?

MA: Our studio space has grown exponentially. From 2010 to 2012, I was in my apartment. In 2012, I moved into space inside the San Francisco Flower Mart. Last year, just before Mother's Day, we moved out of a 3,500-square-foot space at the Mart into 9,500 square feet in a nearby warehouse. Since then, we've grown to a little more than 15,000 square feet. It's a short-term lease, which is important for managing our future growth.

FR: What does future growth look like for Farmgirl Flowers?

MA: I need to be clear: We are not a flower shop. We are building a full-scale manufacturing facility and working to convert our covered-wagon operation into a bullet train. It's going to require adding technology and adding machinery to maximize functions. Building a business at scale is not about eliminating people. We may slow down the speed at which we're hiring, but it also gives us more security to hire for the long term. One of the biggest complaints I hear from our team is that there's not enough room for advancement. I see this growth as really exciting because it will provide room for advancement. We're going to need very skilled people.

FR: What does future growth look like for Farmgirl Flowers?

MA: I would have found a really good attorney to protect the things that could be protected. A friend of mine told me that early on, but I was thinking, “You are ab-

olutely nuts. I have \$49,000 in my bank account, and I'm not giving half of that to a lawyer." Looking back on it, that was the best advice, and I should have listened to it because then I would have known about intellectual property protection years earlier than I did. I could have started that whole process and protected what was different about our business model. I didn't, and now I tell everyone who has created something different, especially in a creative industry where it's harder to figure out, to take out a loan for legal services if you have to. It will probably save you lots of money in the long run.

FR: What are you most proud of?

MA: I am really proud that my \$49,000 has turned into a \$15 million-plus business. It hasn't been because of luck but because I've devoted more than 35,000 hours to Farmgirl in the past seven years.

FR: It's amazing, and, yet, I know it has come at personal sacrifice.

MA: Yes. I didn't start pulling a paycheck until last year. I did that consciously because I decided it was better to put the money back into the company. And I don't live very "big." I've given up even little pleasures. I used to have a bit of a shopping habit. I had more designer clothes than I'd like to admit. I gave up all of that. For the last seven years, it's all Farmgirl all the time. That's the choice I made, and this is my priority. It's all about choosing your priorities in life.

People often tell me that they want to start a business to have more work-life balance. That is absolutely the wrong reason to start a business. There are so many good reasons, but work-life balance probably shouldn't be one of them because most people are going to be very disappointed. And, as I mentioned, I've put in more than 35,000 hours in the past seven years. I work approximately 96 hours a week during non-peak times. My life is my work, and that's my balance, which I see as pretty consistent with most entrepreneurs I know.

FR: How hard is it to balance goals of profitability with your mission and values?

MA: It's very hard, especially in one of the most expensive cities in the country. Obviously, we're not in it just for the money.



That's pretty clear at this point. We're about building consumer trust. Our customers know that we care about far more than just profits. I constantly filter every decision through the lens of "would this be a company I'd want to buy from, sell to and work for?" If I can say "yes," then we do it; if not, we don't. But many times, being able to say yes to those things costs the company much more money than if we said no. And we do it anyway. So that balance is extremely difficult from a business perspective. My hope is that consumers will choose us because of our values and that we'll be able to continue to spend less in customer acquisition [marketing and PR] while still achieving high growth to make up for the higher labor and cost-of-goods — and that it will balance out in the long run. ■

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