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QUICKTAKES

*Ideas You Can Put
to Work Immediately*

1 Learn From the Competition

Although you might like to think you are smarter than your competitors, don't believe it.

There are always new ideas and better ways to stock, sell, serve and promote. Your competition will discover at least some of these things before you do. Visit. Take notes. Copy and build on their successes.

2 Have Lunch

When did you last take an employee to lunch?

This little act of kindness can work magic. You'll develop a better personal relationship with your workers. You'll learn more about their interests and needs. And they will see that you care. As a result, they'll trust you more and be motivated to work harder.

3 Treat Yourself

Looking to get your creative juices flowing? Dedicate a few hours to an activity you enjoy but haven't done in a long time. Something totally out of your normal routine.

Ride a bike. Watch a favorite movie. Call an old friend. Throw a baseball around. Re-read a book you love. Something—anything—fun that you haven't done in years.

You'll be amazed at how refreshing this will be.

THINKING STRATEGICALLY



Strategic thinking looks way down the road into the future. What do I want my business to look like in five or 10 years? What problems am I fighting today that I don't want to be

fighting then? Do I need to attract different customers? How will my products and services change?

Most of us are so busy with today's problems and challenges that we don't take the time to look ahead. That's dangerous.

When you think strategically, you become more effective in your marketing, buying, staffing and general management.

Why? Because you will be more likely to focus on the things that will help you get where you want to go and to discard things that won't help you achieve your long-term goals. You will avoid a lot of wheel-spinning.

Turn especially difficult issues into strategic decisions.

For example, if you are having trouble finding good employees, raise the issue to the strategic level. Ask yourself what you can do to recruit the right kind of people.

When you are thinking strategically, you won't just run help-wanted ads for an immediate opening. You will be constantly on the lookout for potential employees. You will talk to candidates whenever and wherever you find them. You will build a cadre of prospects.

And that's just one example of what strategic thinking can do for your business. Imagine if you apply it to all areas.

Paul Goodman
Editor

Paul Goodman can be reached
at plgoodman@aol.com.

A Checklist for Fire Prevention

*It's worth the
investment to plan ahead.*



You may think you've got all your business bases covered. A sound business plan. Creative marketing strategies. Terrific designs and products.

However, if a fire strikes your shop, even the best-laid plans could, quite literally, go up in smoke.

Fire safety is not something many people think about. You assume your building was safely built. That the landlord has taken care of any dangers.

Think again. Although you probably weren't responsible for your building's construction, you are responsible for just about everything else on the fire safety front.

The harm from a fire can be tremendous. Even if some displays, records and merchandise survive, the heat, smoke and water used to extinguish the blaze can prove devastating. A relatively minor fire can do a great deal of damage.

Fire prevention is smart business.



THE 10-MINUTE SOLUTION

Make fire safety a priority with a 10-minute shop inspection. Use the following list of potential dangers and helpful precautions as a starting point. Although some items might not apply to your situation, most of them will.

Storage Areas



- ✓ Prohibit smoking in storage areas.
- ✓ Store items at least 18 inches from the ceiling, especially if the area does not have sprinklers.
- ✓ Don't allow storage in electrical, mechanical or telephone rooms, corridors or stairwells.

- ✓ Dispose of trash in appropriate containers.
- ✓ Keep the area tidy.
- ✓ Make sure outside storage areas are adequately separated from the building.

Electrical Equipment



- ✓ Clean and close fuse or control boxes.
- ✓ Confirm that all fuses and circuit breakers are working and the appropriate size for your system.
- ✓ Plug only the correct number of electrical items into any outlet.
- ✓ Cover all junction boxes.
- ✓ Repair frayed wires.



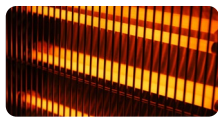
- ✓ Make sure all wiring and fixtures are in good condition and properly installed or supported.

Smoking



- ✓ A no-smoking policy is a sound fire-prevention strategy. Just ask a local firefighter how many fires are started each year by cigarette ashes. A side benefit is that a non-smoking policy also may be a good customer-relations practice.
- ✓ Designate and enforce non-smoking areas.
- ✓ Place ashtrays in any area where smoking is permitted.

Heating Equipment



- ✓ Keep heat-producing equipment, such as burners, frying pans (for hot glue), microwaves and heaters, clean and in good working order. Be especially wary of accumulations of combustible material.
- ✓ Avoid space heaters if at all possible. If you do allow them, inspect the heaters regularly and permit their use only in designated areas. (Note: the exhaust from space heaters can damage the life of fresh flowers.)

- ✓ Confirm that vent clearances are up to building code specifications.

Refrigeration



- ✓ Remember that the cooling equipment in your shop also puts out heat.
- ✓ Clean all coils regularly to keep the equipment working efficiently. This will reduce fire risk and help cut your utility bill.

Extinguishers



- ✓ If your building has a sprinkler system, confirm that the landlord inspects and tests the system annually. Request documentation of these inspections.
- ✓ Visually inspect portable extinguishers each month. Once a year, have a specialist check to ensure they are fully charged and operational.
- ✓ Tell your employees where the extinguishers are and how to use them.

General Housekeeping



- ✓ Clear out accumulated rubbish. It's both unsightly and dangerous.
- ✓ Clean and check kitchen filters and exhaust systems regularly.

Alarm Systems



- ✓ Confirm that any manual alarm systems are unobstructed and easily seen.
- ✓ If you have an electronic alarm system, test it annually.

Flammable Materials



- ✓ Properly store or dispose of combustibles, such as oils or paints.
- ✓ The fumes of highly flammable materials can ignite under certain circumstances. Store these materials in their original, airtight containers.
- ✓ Use and store flammable materials in approved areas only.
- ✓ Don't allow smoking near these dangerous products.

Life Safety Considerations



Of course, the most precious resource in any shop is the lives of the people who work there.

The following measures will help prevent a tragic loss of life in case of a fire:

- ✓ Hold periodic fire drills.
- ✓ Clear stairwells of obstructions.
- ✓ Make sure all exit lights work.
- ✓ Keep exit routes clearly marked and free of obstructions.
- ✓ Ensure that doors to stairwells are closed or self-closing.
- ✓ Check emergency lighting.
- ✓ If your store is large, think about installing a public address system to alert employees and customers in the event of an emergency.

IT'S UP TO YOU

A few minutes a month is all you need to protect against most fire risks. It's not much of an effort. And once you get in the habit of performing regular inspections, they will become part of your routine.

Keeping your eyes open for possible fire hazards as you go about your daily routine can prevent an expensive, even tragic, accident later. 🍀

See the article on page 7 on how to ensure your business can survive a fire.

Shop Security

How Well Protected Are You?



It could happen to you. You arrive at the shop early. As you round the corner of the building, you see the back door is ajar. Someone has broken in.

It's the third time in as many months. Someone is making a habit of forcing open your door and rummaging through the store. You've lost computers, supplies and even some prized personal possessions.

Maybe it's time to re-up your security protocol.

AWARENESS

Gaining a little knowledge about theft is a good first step toward protecting your shop. When you understand the actual risks your shop faces, you can better respond to those risks.

How big a problem is theft for your shop? In part, this depends on your location. Check with the local police department for key crime statistics in your area.

Your insurance agent can be another source of crime information. He or she may know how your location compares to other areas in the city. In fact, your premium for general business insurance is probably based in part on local crime rates.

Even if you are in a low-risk area, a loss during certain times of the year could be quite damaging. Valentine's Day and Mother's Day, for example.

The bottom line? Some level of theft protection is a good idea for every florist. And if the risks are substantial, you'll want to do more.

OPTIONS

You have many different ways to protect your shop from theft. Keeping a watchdog on the premises at night. Hiring a security guard. Installing surveillance cameras.

The most common and affordable type of protection is an electronic

alarm system. These systems vary in how and what they cover.

1. Perimeter Protection

The front line of a security system is perimeter protection. In the vast majority of all burglaries, the thief gains entry through an exterior door or window.

Bars and locks are one type of perimeter protection. An electronic monitoring system is another.

Some level of theft protection is
A GOOD IDEA
for every florist.

Some alarms can detect when a window is broken. If your system doesn't, you might at least install a device that sounds when a window is opened. Another option is a sensing device that responds to the sound of breaking glass.

Perimeter protection alarms are effective in most situations. But what about the thief who hides in the store until it closes? No window or door will be opened until the burglar is long gone. That's where the next type of protection comes in.

2. Internal Protection

Motion detectors can easily sense the presence of an intruder who hides until the store is closed.

You may need several of these devices. Place the motion detectors strategically. Focus on areas where a thief would most want to go. Stairwells, your main traffic aisles and the areas around cash registers and computer(s) are all good candidates.

You're not trying to protect a million-dollar gem. You don't have to worry about thieves coming down on ropes from the ceiling. Just put motion detectors where you're most likely to need them.

3. Item Protection

Speaking of gems, the last type of electronic device lets you place a detector on something important that you don't want stolen or tampered with.

A museum might use this on a valuable work of art. In a flower shop, the safe and cash registers are the obvious possibilities.

ALARM CONTROLS

Some alarm systems are activated with a key when you leave the building. More often, you will use a keypad.

Keypads have several advantages over keys. There's nothing to lose. You can change your code as often as you like. Using different codes for different people lets you monitor who comes in and out.

Keypads in sophisticated alarm systems can offer an even greater layer of security—a special code that makes it appear you are deactivating the system while quietly putting in a call to the police. This is to thwart a thief who forces you to let him into the building.

ALARM SIGNALS

There are two levels of alarm protection.

Passive systems typically sound only a local alarm when the system is tripped. The main purpose of the passive system is deterrence. If your shop looks secure, most thieves will move on to easier pickings. And if they do

try to break in and the alarm sounds, they probably will be frightened away.

Active systems notify a central station that security has been breached. This is the best (and most expensive) kind of protection. In addition to a more costly installation, you also must pay monthly monitoring fees. Usually around \$300 to \$400 per year.

Most active systems use the shop's regular phone line to notify the central station of a break-in. If the phone lines are cut, the signal won't go through.

That's why newer systems automatically call the central station over a wireless connection. No more worries about cut land lines.

When notified of an apparent break-in, staff at the central station will call the shop to confirm. If no one answers or the person who answers cannot supply the proper passcode, the central station will notify the police and/or the owner that security has been breached.

FIRE DETECTION

Another benefit of an active electronic security system: the ease of adding a fire alarm to the system. Chalk it up as a bonus. You place heat and smoke detectors at strategic points around the shop. In the event of a fire, these detectors send the central station a special signal.

When the call comes in, the central station staff knows immediately that it is a fire alarm and can notify the fire department.

PANIC BUTTONS

Manual panic buttons are silent when pushed. You quietly send a signal to the central station without alerting the thief.

A panic button can be added to an active security system at minimal cost. Put your panic button near the cash register or safe. Make it hidden, for obvious reasons, but convenient enough for an employee to push without being noticed.

HOW MUCH?

Like so many things in life, the choice of a security system boils down to money and personal preference. Although personal preference is often hard to quantify, money is not.

How much should you spend for a security system? That depends on what you have to lose. It wouldn't make sense to spend \$5,000 to protect \$500.

You also have to consider your insurance. Insurance companies will often give discounts to policyholders who have security systems. Especially those that include fire detection.

Your annual insurance savings might pay for the entire system. Check with your agent

AN INEXPENSIVE OPTION

Small businesses in high-crime areas have found that merely putting foil tape and warning stickers on windows discourages break-ins.

You can even go a step further and install a fake control panel. Before leaving the shop, you activate a red light on the panel. Anyone looking through a window will assume you have an alarm system.

PREVENTIVE MEDICINE

Unfortunately, thieves will always be out there. It's better to be prepared and take steps to avoid a loss than to wait until you're hit by a thief.

Take whatever steps your situation warrants. A good security system will go a long way toward protecting your business, your personal safety ... and your peace of mind. 🍀

Safety Is a Personal Issue.

Closely related to security is the issue of personal safety. Your safety and the safety of your employees.

Losing money or possessions is one thing. Getting hurt or, worse yet, killed is a different matter.

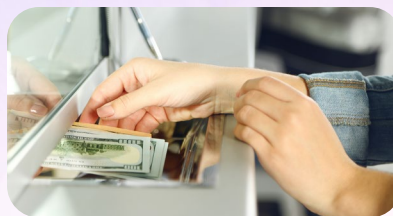
Not all burglaries take place after the store is closed. Some happen in broad daylight. Make sure your employees are prepared for both scenarios.

BE SMART—NOT BRAVE

If you are the victim of a robbery, don't try to be a hero. Your life is worth more than a few dollars. Press your alarm system's panic button if you have one. Get a good look at the robber if you can. Then give the robber what he/she wants.

A few common-sense shop procedures will reduce the likelihood that you'll be a target. Don't leave lots of cash in the registers or anywhere in the shop day or night. On busy days, pick up the money from the registers frequently. Make several bank deposits during the day.

Don't let the people who make your deposits leave with a money pouch in plain sight. Hand-cuffing the pouch to their wrist is one option. But



that would pose a personal safety risk. A leather strap can accomplish the same objective without the potential for harm.

Also, stagger the times your personnel make deposits.

The goal is to avoid patterns that can be tracked by would-be robbers.

Finally, look for any other flaws in your safety procedures and fix them.

NIGHT OPERATIONS

If you, like many florists, have extended your shop's business hours into the evening to better serve your customers, think through the security issues of having someone on duty at night.

The best solution is to have more than one person in the shop. If that's not financially feasible, you might want to consider other alternatives.

If your shop is next door to another retailer with similar hours, establish a buddy system to check up on each other. If not, establish a check-out procedure so that at least one other person is alerted if there's a problem at closing time.

Remember, personal safety is your most important objective.



SUCCESSION PLANNING: MONEY, MONEY, MONEY



The Bible doesn't say that money is the root of all evil. However, it does say that the love of money is the root of all evil.

To some extent, everyone desires money. And for business owners who want to pass their operations on to the next generation, money questions get even more complicated.

How much should the parents get when they pass the business to their children? How much should each child be paid? How much is each job/position worth? How much capital should be left in the business to cover operations and the unexpected?

BUSINESS SIZE

The average sales for a flower shop in the United States is about \$350,000. That suggests that more than half of the shops are below that number. Some, well below.

If your shop is doing \$250,000 in sales, the business' total annual payroll should only be \$75,000. Not much room in that figure to pay more than one owner/operator. And that's a typical scenario. Most shops only have a single owner.

This financial reality complicates many a succession plan. If more than one child wants to be involved, will the business be big enough to support both? If not, you probably should

sell the business and let the children build their careers in some other field.

COMPENSATION

Compensation must always be based upon the fair market value of the services performed. No less. No more. The division of profits can be based upon ownership, but compensation is a different matter.

This principle is especially important in a

succession plan. The money going to the parents should be divided between income for their continued services and proceeds from the sale of the business.

At the same time, since sale proceeds are taxed at a lower rate than wages and not subject to Social Security or Medicaid taxes, it is to the parents' advantage to allocate as much as is reasonable to the sales price.

BUYOUT RULES

Usually, a buyout agreement will include a method for valuing the business and terms for payment of the purchase price.

Buyout agreements can be fairly complicated. It is hard to anticipate all the circumstances that will be present when the buyout actually occurs. There is a good possibility that at least one family member will be upset and acting emotionally when the time comes.

The simplest (and often the fairest) buyout agreement has been labeled "The Texas Shootout." We've mentioned this before in *Floral Finance*.

Here's how it works.

Any owner can make an offer to purchase the shares of the other owner at any time. The other owner then has the following two options:

1. Accept the offer and sell his or her shares for the offered price.

2. Buy the offering party's shares for the same amount per share.

In other words, when a co-owner decides he wants to buy the other one out, he will have to offer a fair price, because the other party may well turn the tables and buy him out. If he asks to buy at a certain price, he also must be willing to sell at that same price.

The division of profits can be based upon ownership, but compensation is a different matter.

That's the genius of this buyout agreement. There is no stalemate. A buyout is accomplished—one way or the other—at a fair price.

NON-COMPENSATION BENEFITS

When more than one sibling is involved, the succession agreement needs to outline acceptable "perks" for each person, as well as the conditions under which those perks can be given.

You want to prevent the person with more power from giving themselves insurance, cars, travel or other items at the expense of others.

Any unfair treatment will end up being resented and, ultimately, ruin relationships. A little prevention will pay off handsomely in the long run.

NOT FOR COWARDS

By now, you realize that there are many potential pitfalls in the succession process. That doesn't mean you shouldn't take on the task. It just means you need to cross all of your t's and dot all of your i's.

Careful succession planning is well worth the effort when you want to preserve a strong family legacy and important family values. On the other hand, if the family can't cooperate and work together, you're probably better off selling the shop to an outsider. 🌻

Surviving a fire means more than just walking away without injury. To truly survive, your business must also be kept alive and well.

Repairing or rebuilding the structure may be the least of your worries. The real damage may be the loss of your important business records. Bank records. Financial statements. Customer lists. Historical sales data.

ACCOUNTS RECEIVABLE

Some records will be easier to replace than others. For example, your bank can give you a record of your deposits and checks, as well as your current account balances.

If you use an accountant to prepare your monthly financial statements and prepare your tax returns, he or she will be able to give you back copies of these important documents.

However, most of the financial records you need are not prepared or kept by outside service providers. You do the work and generate the reports in-house.

COMPUTER BACKUPS

Most shops would have a hard time surviving without their computers. A little advanced planning can minimize the impact from the loss of this valuable resource.

If you've ever lost a document when working on your computer, you have a hint of the potential frustration of data loss. You work hard to type a fairly long document. You don't save it as you go along. A power outage hits. Your screen goes blank, and all that hard work is lost. You have to start over.

Now, imagine losing all of your computer records to a fire. Frustration to the max.

The solution is simple. Just back up your files.

Long ago, the best way to protect your data was a tape backup drive. You ran the backup at the end of each day and took the tape home. However, that was a lot of work and it was easy to forget to do the backup, especially when the shop got busy.

Today, most data is held in "the cloud" when it is backed up. The backup



CAN YOUR BUSINESS SURVIVE A FIRE? PLANNING IS KEY

is done through the internet and stored "somewhere out there."

RTI offers a cloud-based backup system that is very inexpensive and worth every penny. It's done automatically. You never have to think or worry about it.

Check with your POS supplier for their recommended backup solution.

If you back up your files and ever need to re-create your data, it's as easy as putting the most recent backup copy on your old (or new) computer. Within minutes, you'll be up and running, with virtually none of your data lost.

PAPER RECORDS

Next, think about all of the paper forms and records you would need to continue your business after a fire.

Employee manuals. Pricing sheets. Marketing plans. Any important document that is not stored on your computer.

Make duplicate copies of these documents and store the copies off site or in the cloud. The best way is to scan and save the documents as PDFs. That way, if you ever want to retrieve or edit them, you can do so easily.

Use a fireproof safe or lockbox for important "original" documents that can't be saved electronically. Insurance policies, contracts and other signed agreements, for example.

These steps won't take long, but you need to develop a sound plan and set aside the necessary time to do it right. Remember, that "ounce of prevention" really is worth a pound—or more likely a ton—of cure. 🍀

FAMOUS FINANCIAL WORDS

"One of the tests of leadership is the ability to recognize a problem before it becomes an emergency."

—Arnold H. Glasow

"Business is more exciting than any game."

—Lord Beaverbrook

"No class of Americans, so far as I know, has ever objected ... to any amount of government meddling if it appeared to benefit that particular class." —Carl Becker

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3737 NW 34TH ST.
OKLAHOMA CITY, OK 73112

NORMS

COMPENSATION RATE

10%



INQUIRIES & ANSWERS LETTERS

VOIDED CHECKS

“Every month, we have to void a fair number of checks. Is there any reason to save the voided checks themselves?”

Probably not—but you do need to be careful with them.

Unused checks present a real opportunity for theft. Maintain tight control procedures to avoid any problems in your shop.

You have two concerns: pre-numbered checks and un-numbered check stock.

Pre-numbered checks are easier to manage primarily because the check numbers are preprinted in numerical order. Whenever you make a mistake and have to void a check, shred it and note in the check register that the check was voided.

Maintaining control of un-numbered check stock can be a little different. First, completely destroy any blank checks that you use to align the printer or make a mistake writing. Second, keep all of the blank stock in a secure place—preferably, a locked safe.

Always reconcile your monthly bank statement. If a check that you did not authorize shows up, contact your bank immediately.

ACCOUNTING FOR SHRINK

“What is an acceptable level of shrink in a flower shop—and how should shrink be factored into pricing?”

Those are two separate questions.

A generous rule of thumb is that shrink should never exceed 10% of the product you buy. And 5% is a better target for a well-run flower shop.

If you are consistently at or above the target, determine why and make changes to lower your shrink.

As for the other question, remember that if you don't allow for shrink in your pricing, you won't be getting the full markup you intend. The solution is to add your shrink percentage to the product price before you mark it up for sale.

Example: Suppose you pay 30¢ for each carnation, have a 10% shrink level and use a 3.5× markup for fresh flowers in an arrangement.

You should add 10% (or 3¢) to the price of the carnations before applying your markup: $(\$0.30 + 0.03 = 0.33 \times 3.5 = \$1.16)$.

This is the maximum compensation target for the owner/operator of a shop with \$500,000 in sales. It includes wages, company payroll taxes and any benefits. If your shop does more than \$500,000 in sales, add 5% of the sales above \$500,000 to the owner/operator's compensation. So, if a shop is doing \$1 million in sales, the owner/operator's compensation package should be \$75,000. Of course, the owner/operator also is entitled to any profits the business generates.

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Please address your inquiries
to the Editors of Floral Finance®,
Teleflora LLC, 3737 NW 34th St.,
Oklahoma City, Oklahoma 73112.