

FINANCIAL INFORMATION,  
EDUCATION AND CONTROL  
FOR THE RETAIL FLORIST

# Floral Finance®

**teleflora**

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## QUICKTAKES

*Ideas You Can Put  
to Work Immediately*

### 1 Give Responsibilities, Not Just Titles

When you name someone a manager, be sure to give him or her the responsibilities that go with the title.

One way to check if you have?

Watch whom employees go to with questions. They ought to go to the manager of the area of concern, whether or not you are there. Otherwise, the managerial position you created is less than the title suggests.

### 2 Say Thank You

When you were an employee, how often did your bosses say thank you? Probably not as often as you would have liked.

Now, ask yourself an even more important question: How often do you say thank you to your employees?

They'll appreciate the acknowledgment as much as you would have. Share a few kind words. It's a no-cost strategy for boosting morale.

### 3 Don't Forget Your Customers

Want to build better customer relationships? Send thank-you notes to your best customers. The result? More return customers ... and sales.

Although you don't have time to write to everyone who makes a purchase, writing occasional notes to your regular customers is doable.

Set aside 15 minutes a day for this task. It'll pay off handsomely.

## GOING THE EXTRA MILE



Napoleon Hill did a lot of research and writing on success. He studied the lives of individuals like Andrew Carnegie to better understand what made them successful.

One success principle that Hill uncovered was going the extra mile.

Rarely, if ever, do you find a successful person who does not consistently go the extra mile. Similarly, those who practice going the extra mile are almost always successful.

Going the extra mile benefits the individual you are serving. Interactions with you will exceed their expectations. And, ultimately, the more personalized service you provide will build their loyalty.

Going the extra mile also benefits you. In fact, you are the bigger winner. While the person you are serving gets the benefit of the individual encounters with you, you get the cumulative benefit of a lifestyle of achievement.

To be specific, when you go the extra mile day after day, year after year, you ...

- Make yourself indispensable to the ones you serve;
- Grow the quality of personal initiative;
- Build others' confidence in your integrity;
- Develop your ability to be self-reliant.

And that's not all. Since most people do not go the extra mile, you will stand out from the crowd. Your employees will want to work for someone like you. Your customers will have a good reason to select you over other competitors.

It's a true win-win.

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# Tracking Your Sales

## *It's a Trade-Off*



**N**ot too many years ago, cash registers were fairly simple pieces of machinery. Most had only three sales department keys. That's no longer true.

Today, a good electronic cash register can track 20 to 40 sales categories with ease. And computers with floral-specific software can accommodate hundreds of categories.

The question, however, isn't how many sales categories your register can handle. It's how many categories you really need. When is enough, enough?

To answer that question, you have to make a trade-off between how much information you want and the trouble and expense required to get it.

Saying you want to track 50 sales categories is one thing. Doing it is quite another. You have to buy the right equipment, tag your merchandise accordingly and train your staff. Each costs money, time or both.

To make a good decision on the right number of sales categories for your shop, ask yourself two questions.

First, what will you gain by breaking down sales into certain categories? Second, what will you do with the information once you have it?

### THREE REASONS FOR DETAIL

There are three main reasons a retail florist needs detailed sales information.

#### **1. Controlling Cost of Goods Sold (COGS)**

COGS (the cost of the products you sell) is one of the largest expenses in a retail flower shop. If you want to be profitable, you have to control COGS.

Doing so requires a good breakdown of your sales.

The first step is to break apart product and non-product sales. Non-product sales have no product costs. You won't have an accurate

view of your COGS percentages if you include non-product sales in the calculations.

Next, break your product sales into as many sales categories as you have pricing formulas. For example, a shop with a 2× markup on gifts and a 3.5× markup on arrangements would need different sales categories for each. Each category would have a different COGS target.

#### **2. Doing Proper Wire Order Accounting**

Outgoing wire orders **must** have their own non-product sales category. It's important not to mix them with any other sales.



### 3. Improving Marketing/Buying

To control COGS for arrangements, you may only need one arrangement sales category. But in reality, most shops need at least a little more detail than that.

Suppose, for example, that you want to know more about those arrangement sales. How many were for weddings or funerals? How many were rose arrangements? And so on. You might need five or more arrangement sales categories to keep tabs on what you are selling.

When you know your sales mix, you can allocate your advertising budget to maximize your return from each dollar spent.

If only 1% of your arrangement sales are from weddings, for example, you wouldn't want to put half of your advertising budget into wedding promotion. Unless, of course, you were working to build that part of your business.

Separate categories also can help you buy the right quantities of various items.

#### YOUR GUIDE

As you decide how to track sales, let the three reasons above be your guide.

Every sales category has to help you control COGS, assist your wire order accounting or improve your marketing/buying. If it doesn't, you are almost certainly getting more detail than you need.

There's no need to drown in a sea of trivial facts. Capture only the pieces of information that will help you run a better business. Anything more than that is a waste of time.

The optimal number of sales categories will vary from shop to shop. Your size, your financial abilities, your marketing goals and many other variables will dictate what you really need to know.

Only you can decide how many sales categories to track in your shop. But here are some guidelines that will help you make that decision.

#### AT MINIMUM

From an accounting standpoint, you need at least three sales categories:

- **Product sales;**
- **Non-product sales;**
- **Wires-out.**

With these three categories, you will be able to prepare accurate tax returns. However, they are inadequate for proper management control.

To better manage the business and maximize profitability, you must break down and control COGS for your basic lines of business.

For the average retail florist, that typically requires at least nine sales categories.

#### Minimum Sales Categories

##### Product Sales

- Silk/dried
- Loose flowers
- Arrangements
- Green plants
- Blooming plants
- Gifts

##### Non-Product Sales

- Service charge
- Wires-out
- Delivery charges

These categories cover most of the products carried in the average shop. They provide enough detail to control COGS and give you helpful marketing information.

If you sell few loose flowers, you can eliminate that category and get by

with eight. In fact, you may eliminate any category if you don't sell that product line.

#### ADDITIONAL CATEGORIES

Remember, the categories here are the minimum. Many florists need more sales information than basic categories would provide. Additional categories are used to track specific products or groups of products that account for a significant amount of the shop's sales.

Often, the extra categories will be used for various gift lines. Tabletop, gourmet, Christmas ornaments, cards and candles are common.

Other shops want more detail on their arrangement sales. Bud vases, rose arrangements, corsages, casket sprays, holiday specials and wire service specials.

You may need more categories in the non-product area. Different labor categories to handle weddings, party setups or Christmas decorating. Equipment rentals for wedding items you bring in from another provider. Plant rentals and plant maintenance are also common categories.

Or you may be operating another business that requires separate sales tracking. Greenhouses, garden centers, nurseries and wholesale floral businesses are the most likely candidates.

#### OVERKILL

By now you can see that the choice of how many sales categories you track is an individual one. It's up to you.

Avoid one common error. Overkill.

If you have a cash register or computer that can provide lots of sales information, it's tempting to use every available category.

Big mistake.

It is possible to have too much information—so much detail that you lose sight of the big picture.

So, set up as many meaningful sales categories as you need. No more. No less.

Ask yourself what useful information you gain from tracking each category separately. If the answer isn't convincing, eliminate that category.

Good financial statements start with the proper number of sales categories. Make sure you have enough. Make sure you don't have too many. 



# Wire Order Accounting

## The Ins and the Outs

**T**he wire order. It is a simple idea. A customer orders flowers from one location and has them delivered to another.

The complicating factor is that so many different parties are involved. The money has to be divided correctly.

The local florist collects payment for the order, the delivery charge, the service charge and any sales taxes.

That florist sends the order to a shop in the destination location. The receiving florist then fills the order and makes the delivery.

The customer and the sending florist have to trust the filling florist to make the order as requested, with quality product. The filling florist has to trust the sending florist to pay for the order.

It's just too much to leave to chance and goodwill. That's why wire services were formed. Interested florists who meet the qualifications of a given wire service join that service. The wire service prepares a directory of all member florists, guarantees the quality of the filling florist's work and guarantees payment. The interests of all parties are protected.

A great solution.

However, even though the mechanics of sending orders have been solved in this scenario, properly accounting for the transaction can still be a problem.

### YOUR ACCOUNTANT

You can't assume your accountant will know how to handle wire order accounting properly. Most accountants don't have experience with or understand the financial needs of a retail florist. Without proper guidance, an accountant is likely to set up your shop's wire order accounting system incorrectly.

The financial statements they produce may be correct for income tax purposes but give misleading information to an owner who is looking to operate a profitable shop and make sound management decisions.

The good news is that wire order accounting—once understood and set up properly—is actually fairly simple.

### STEP BY STEP

The first step is to set up proper general ledger accounts.

#### General Ledger Accounts

A balance sheet account is indicated by BS and an income statement account is indicated by IS.

##### *Under Current Assets*

- Wire receivable (BS)
- Wire clearing (BS)

##### *Under Non-Product Sales*

- Service charges (IS)
- Wire-out commissions (IS)
- Wire-in commissions (IS)
- Rebates (IS)

##### *Under Expenses*

- Wire service expense (IS)

Once you have created the correct categories, you have three more jobs. First, properly accounting for wire-out sales. Second, accounting for wire-in sales. And third, dealing with the monthly wire service statement.

### OUTGOING WIRE ORDERS

**Step 1.** Enter the full gross amount of all outgoing wire order sales (including delivery charge) into the wire-out commissions account. Ring up service charges into the service charge account.

**Step 2.** Enter the payment type just as you would for any other sale—cash, credit card, house account or gift card/certificate.

### INCOMING WIRE ORDERS

**Step 1.** Take your standard delivery charge off of the gross order and ring up as a delivery sale.

**Step 2.** Ring up the balance of the sale as you would a normal product sale into the appropriate product sales account.

**Step 3.** Indicate that payment for the order was in the form of a wire-in (wire receivable). The payment is handled similarly to a house charge, except that instead of debiting accounts receivable you debit wire receivable.

**Step 4.** Since you will only receive 73% of the incoming order from the wire service (27% is for commissions to the sending florist and the wire service), you must debit the wire-in commissions account and credit the wire receivable account for 27% of the gross order.

# Accounting Examples

## Wire-Out

A \$49.95 order with \$7.95 delivery charge and \$6.95 service charge for a total of \$64.85.



Item	Debit (+)	Credit (-)
Cash/Receivable	\$64.85	
Wire-Out Commissions		\$57.90
Service Charges		\$ 6.95

## Wire-In

A \$57.90 gross order.

Item	Debit (+)	Credit (-)
Delivery Charges		\$ 7.95
Arrangements		\$49.95
Wire Receivable	\$57.90	
Wire Receivable (27%)		\$15.63
Wire-In Commissions (27%)	\$15.63	

### WIRE SERVICE STATEMENTS

Now for the tough part: Correctly entering all of the information from the wire service statement.

A wire service statement includes a great variety of items, including amounts you owe the wire service and amounts the wire service owes you. Since so many entries are involved, you may find it difficult to use your normal systems for inputting data when you write the check or make out the deposit.

To simplify this, *Floral Finance* recommends that you set up a wire clearing account on the balance sheet. When you process a wire service statement, do so with a journal entry. Whatever the final amount owed (whether a debit or credit), enter it against the wire clearing account.

When you ultimately write the check or make the deposit, you also enter it against the wire clearing account.

The following steps outline how to handle each item on a wire service statement.

**Step 1: Outgoing Wire Orders.** There are two parts to outgoing wire order entries: (1) the gross amount of the order and (2) the sender's (your) commission (20%). Debit the net amount of these two

amounts (+) to the wire-out commissions account. (The Teleflora statement gives you this net number. Other wire services may require you to do the math yourself.)

Some accountants prefer to set up a wire payable account to handle the amount owed on wire-out orders. *Floral Finance* recommends against this practice because wire-out orders reported on the statement never balance exactly with wire-out orders sent during a given month. Why? One reason is that some wire orders are never reported by the receiving florist. Another is that wire service cutoff dates are not always at the end of the month. Consequently, reconciling the wire payable account and making adjusting entries would involve a lot of unnecessary work.

**Step 2: Incoming Wire Orders.** Incoming wire order entries have three parts: (1) the gross amount of the incoming orders, (2) the sender's commission and (3) the wire service commission. Credit the net of all three numbers to your wire receivable account. (Teleflora provides this net number. With other wire services, you may have to do the math yourself.)

### Step 3: Credit Card Revenue.

This is money owed to you when you clear credit cards through the wire service. Credit (-) the gross amount to your credit card receivables account. Debit (+) the credit card clearing fee (or discount) to the credit card fees account in the expense section of the income statement.

### Step 4: Other Wire Service Charges.

These are usually monthly dues, quality programs or other miscellaneous expenses. They must be debited (+) to the wire service expense account on the income statement.

### Step 5: Product Purchases.

Debit (+) product purchases to the appropriate cost of goods sold (COGS) or inventory account.

### Step 6: Rebates.

If rebates appear on your statement, credit (-) them to rebates in the non-product sales section of the income statement. (If you receive rebate checks in the mail, make your deposit and credit them to rebates, as well.)

### Step 7: Directory and Other Advertising.

Debit (+) this to your advertising account on the expense section of the income statement.

**Step 8: Other Debits (+) or Credits (-).** These could be technology or website charges. Put them in the appropriate account.

**Step 9: Cash.** Finally, you debit (+) the wire clearing account if you are getting a check for the net amount or credit (-) it if you have to pay the net amount.

### Step 10: Writing/Depositing the Check.

When you write the check to the wire service or deposit the check from the wire service, do so against the wire clearing account.

### THAT'S IT

You have to handle both the sales and the wire service statement correctly. To do that, you must have the proper general ledger codes.

Wire order accounting may seem like a daunting task, but it really isn't. Take the time to set everything up correctly. Then it'll be routine. ☺





# SUCCESSION PLANNING: FAMILY HARMONY

Last month, we addressed the need to have systems in place to help resolve conflict. Such systems can bring order out of chaos. However, resolving conflict is not enough by itself to ensure that you have a smoothly running family business.

Ideally, all family members would progress happily toward mutual goals and objectives. It's not always easy, but it can be done.

Keep in mind, though, conflict will always be present at some level. It's human nature. Also, no family is perfect.

Most have natural pockets of conflict.

Hopefully, everyone will do their best and will strive for understanding and forgiveness when conflict occurs.

You can do a number of things to promote common values, purposes and strategies that will support the goal of keeping your family business harmonious.

## FAMILY MEETINGS

Schedule frequent family meetings to review the issues and business at hand. Consider setting these up early each Monday to review your plan for the week.

Such meetings can help keep everyone on the same page. Who is responsible for what? When are assignments to be completed?

These meetings are a great time to review common goals and purposes. Relate them to the tasks at hand—and how those tasks fit into the larger picture.

Don't forget impromptu meetings, as well. Keep the communication frequent. Good communication is the grease that makes relationships—and businesses—run smoothly.

It will give you a common approach to problems. Whoever attended the course will know what the instructor recommended in dealing with a certain issue. You will have a common starting point and direction to follow.

The educational experience also will be another shared moment that will build even more history.

## AFFIRM & ENCOURAGE

Everyone loves to be appreciated. The more compliments and praise you can give, the more enthusiasm you will build.

Telling another

person how you know "they can do it" is far more constructive in building a positive work environment than planting seeds of negativity.

## MOST IMPORTANTLY ... MAKE TIME

So often when managing a business, the focus is on numbers and the bottom line. From there—depending upon the situation—the focus may shift to discipline, tasks or other matters.

An important ingredient is lost.

The time invested in relationships is critical to any success. This is true in life and business.

When you come to the end of the journey, you probably won't be wishing you had spent more time at the shop conducting business. Most likely, you will wish you had spent more time enjoying relationships with family and friends.

The most important asset of any business is its people. This is true in spades for small family businesses. ♡



## AIR & RESOLVE DIFFERENCES

Don't let tension build by sweeping things under the rug. Postponing conflict simply leads to feelings that are shuttled, only to fester and explode later—and usually at disproportionate levels. Instead, use conflict as an opportunity to build better relationships.

## SHARE MEMORIES & HISTORY

"Remember when ..." is a good way to start a conversation that celebrates common memories.

Use your experiences and history together to bind your relationships more tightly. Remind yourself that you share a special history that is unique to your family.

## LEARN TOGETHER

Take a design or business class. Apply what you learn to the business together.

The educational experience will be beneficial in many ways.



# THE DANGER SIGNS OF CREDIT PROBLEMS

**P**eople rarely wake up one morning and find themselves unexpectedly buried in debt. It usually happens slowly over time.

Here are some signs that things may be getting out of hand.

## INCREASED CREDIT CARD USE

If you are purchasing with a credit card things you used to buy with cash, that's a sign you may be running short of cash.

Many people use credit cards today to accumulate airline miles or gain some other benefit. They make charges and then pay off the full balance at the end of the month.

So, the true test is not so much your use of the card as it is whether you pay the balance in full at the end of each month.

## MINIMUM CREDIT CARD PAYMENTS

Making only the minimum credit card payment is the most dangerous sign of credit problems of all.

The credit card statement will tell you the minimum payment you must make. If that's all you pay, however, it will take you a long, long time to eliminate the balance.

Always pay the complete balance each month. Anything else suggests you are either in potential credit trouble or paying interest you shouldn't.

## DEBT

If you find an increasing amount of your monthly income going to pay off debts, you are likely getting into trouble.

Excluding rent or mortgage payment, debt service shouldn't exceed

20% of your take-home pay. More than that and you will begin to find it difficult to pay for all of the other costs of living.

Remember to include any car payments in this calculation.

## NEW LOANS

If you are taking out new loans before old ones are paid off or, worse, taking out new loans to pay off old debt, beware. You're getting deeper into the debt trap.

This doesn't mean it is always wrong to take out a debt consolidation loan. Just be sure you pay off the consolidated loan ASAP.

## INSUFFICIENT SAVINGS

The goal is to have enough savings to get through an emergency. Three months' income in the bank is a minimum goal. Six is even better.

Beyond that, you'll need to be saving for retirement. So, another indication of trouble is if you are failing to make any headway on the savings front.

The best way to approach retirement is to decide on the amount you want to save each month and treat it like any other bill. If you have to adjust your lifestyle to accomplish that, do so.

## AT YOUR LIMIT

If you are pushing the limit of your credit and you can't qualify for any

more, you're probably out of control in some manner.

## OVERDUE BILLS

If you can't pay some of your bills on time, you are obviously overextended.

## SUBTLE SIGNS

The items listed above are some of the obvious signs that you are in danger of credit overwhelming you. Other signs can be more subtle—personal characteristics. Some can be the seed bed of debt problems. See if any of these hit home for you:

- Investment worries;
- Get-rich quick attitude;
- Always wanting more;
- Family needs unmet;
- Money entanglements;
- Acts of financial unfairness;
- Attitude of financial superiority;
- Jealous of what others have.

These characteristics can push you in directions best not to go. They eventually get most people into trouble.

• • •

If you find yourself facing some of these danger signals, what can you do about it? Don't delay. Get credit counseling if you need help to lower your debts. Time is of the essence. ↗

## FAMOUS FINANCIAL WORDS

"A man in debt is so far a slave."—Ralph Waldo Emerson

"The worst crime against working people is a company which fails to operate at a profit."—Samuel L. Gompers



# I N Q U I R I E S & A N S W E R S LETTERS

## DELIVERY CHARGES

*"I know some florists are now offering 'express delivery' service. How does that work?"*

### Different florists do it different ways.

There is usually a standard delivery charge for customers who don't need quick delivery. The express delivery charge is optional. Maybe \$14.95 as compared with a regular rate of \$9.95.

One of the big questions is whether to promote express delivery service or not. Some florists make the express option a centerpiece of their marketing program—something that sets them apart and shows their commitment to customer service.

Before you start offering express delivery, make sure you can handle the logistics successfully. Do you have the personnel and vehicles to respond to an express delivery need? The larger your business and the more deliveries you make, the easier it will be to fold express deliveries into the mix.

## PAID & RECEIVED

*"I feel my employees don't recognize the true value of the benefits I pay on their behalf. How can I change that?"*

### Those are two separate questions.

In any small business, there is a wide variance between the true cost of an employee and employee wages alone. The employees usually have no idea how much out-of-pocket money the company spends on them.

Some perks directly benefit the employees even though they don't see the dollars in their paycheck. It's up to you to make certain they understand the value of their total package.

An annual review is a good time to reinforce these facts. Put all your costs and their benefits down on paper. Add them up. Let the employees see the numbers: salary; payroll taxes—FICA, Medicaid, FUTA, workers' compensation and state unemployment; health insurance; paid vacation/holidays; sick leave; other benefits.

When everything is added up, it's not unusual for the true cost per employee to be 25% or more higher than the wages alone. Most employees will be surprised.

Remind them of the big picture. They will gain a better appreciation for how much you are actually spending and how much they are actually receiving.

T

he percent that a designer's wages should be when compared to the retail value of the designs they produce.

There are several ways to calculate what designers should be paid. Probably the best is to relate pay to productivity. How much can you expect a designer to create in a given hour of design time?

Here's a rule of thumb, and a pretty good one.

Take the designer's hourly wage, including taxes and benefits, and multiply that by 10. The answer is how much you should expect that designer to produce at retail in one design hour.

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