

# Floral Finance

teleflora®

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## QUICK TAKES

**Ideas You Can Put  
to Work Immediately**

### 1 Employee Resource

The percentage of the population that is elderly is increasing as the Baby Boomer generation ages. This phenomenon even has a name. It is called the "graying of America."

Senior citizens are a wonderful source of full- and part-time employees. What's more, they usually have a good work ethic. Walmart has figured this out. They employ more than 65,000 people over the age of 65.

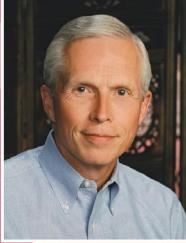
### 2 Positivity

Negative thoughts lower your enthusiasm and harm performance. Make a conscious effort to maintain a positive attitude. Think about what you have accomplished instead of things you have done wrong. Focus on fortifying your strengths instead of brooding over your weaknesses.

### 3 Smart Phones

Believe it or not, a few people have yet to make the leap to using smart phones. If you're in that group, it's time to join the 21st Century. Smart phones greatly simplify daily life. They keep track of calendars, appointments and contacts across multiple devices. No more organizers with cross-outs and corrections. And smart phones allow you to have all of this critical data with you at all times.

## HOLIDAY HECTIC UPSIDE FOR FLORISTS



While most of us recognize the enjoyment and pleasure that come from working with flowers, we also experience other at times less-pleasurable aspects of being in the retail business. Holidays can bring stress and strain to even the most optimistic and organized individual.

Christmas is one of those holidays. In fact, it is exactly because of Christmas that many retail florists find themselves overly busy for extended periods of time. Being in the business of "selling" Christmas can take the joy out of it.

However, retail florists have it much better when compared to many other retailers. Did you know that many retailers do more than 25% of their annual sales during the Christmas season? Talk about a skewed sales pattern.

Of course, retail florists experience an increase in business during Christmas time. However, it is not as severe of a swing as other retailers experience.

The average retail florist will do 13% to 15% percent of annual volume during this holiday. That means that December is roughly twice as busy as a normal non-holiday month.

That's busy but also manageable. So it's another positive aspect of being a florist.

Paul Goodman  
Editor

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at [plgoodman@aol.com](mailto:plgoodman@aol.com).*

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# CREDIT CARD FRAUD

## The Power of Prevention



**T**he odds of dying in an airplane crash are very, very small—lower than the odds of dying in an automobile accident. However, airplanes do crash. And if you happened to be on one of those flights, the results would be devastating.

Credit card fraud is similar. Only a small percentage of businesses are victims. However, fraud does happen, and small businesses are the most likely targets.

### THEFT IN THE CLOUD

You have cardholder names, addresses, credit card numbers, expiration dates and other data in your shop's computer. That computer also undoubtedly is connected to the internet. Theft of any such information is called a data breach.

All it takes is a hacker searching the internet for an unprotected computer. Once the hacker finds a target, he or she will start searching for data—your customers' data.

Long ago, data breaches were not a big problem. Merchants often wrote down credit card information on sales slips and then kept those slips in a box or file cabinet. Others entered the numbers into their point-of-sale (POS) systems so they could print the numbers on various reports.

No one really worried that an employee or someone else might misuse that information.

**The easiest and best step you can take to protect your shop from a data breach is to have the latest POS and accounting software.**

Times sure have changed! Credit card fraud is now very prevalent and carries with it a high financial liability. But there is much you can do as a business owner to protect your shop—and therefore your customers—from fraud.

### NEW RULES TO PLAY BY

The credit card companies have banded together to form the Payment

Card Industry (PCI) Security Standards Council. This council has developed 12 requirements for every merchant who accepts credit cards to follow.

These rules apply to all businesses, large and small. Arming yourself with knowledge about these new rules is a proactive step to protect yourself, your customers and your shop.

The goal is to keep credit card information secure and confidential. With that in mind, here are some helpful tips.

Make sure your computer has up-to-date anti-virus software and a firewall to protect it from unauthorized access via the internet.

Destroy any printout that contains a credit card number. If you write a card number on a piece of paper, destroy it after the transaction.

**Arming yourself with knowledge about these new rules is a proactive step to protect yourself, your customers and your shop.**

Don't store a PIN (personal identification number) for a debit card or the 3- or 4-digit code on the back of a credit card. It's illegal to keep this data. Instead, ask for the number every time you authorize a debit or credit card transaction. (The purpose of the number is to ensure the customer has the card in his or her hands at the time of the order.)

If you have old paper records that contain credit card information, toss them in the shredder or keep them under lock and key (even during business hours).

Make sure your employees understand the importance of keeping credit card information secure. Lead by example with a zero tolerance for mishandling credit card information.

#### THE LATEST & GREATEST

The easiest and best step you can take to protect your shop from a data breach is to have the latest POS and

accounting software. The newest versions will comply with all the PCI rules. Earlier versions may not.

Teleflora used to be able to allow florists to keep using old versions of software as long as they wanted. But because of the PCI requirements, florists now must obtain the latest updates of all the software packages. By following this guidance, you are serving the best interests of you and your customers.

If you aren't sure you are protected properly or have the latest software, contact your supplier to find out.

Your customers are likely aware of the potential for identity theft. They trust you to protect them from data breaches. If they suspect you are careless with their credit card information, you may lose their business.

So play it safe by being proactive. Follow the rules as best you can and make sure your system is up to date. ☺

## 12 CREDIT CARD REQUIREMENTS

### Build & Maintain a Secure Network

1. Install and maintain a firewall configuration to protect cardholder data.
2. Do not use vendor-supplied defaults for system passwords and other security measures.

### Protect Cardholder Data

3. Protect stored cardholder data.
4. Encrypt transmission of cardholder data across open, public networks.

### Maintain a Vulnerability Management Program

5. Use and regularly update anti-virus software or programs.
6. Develop and maintain secure systems and applications.

### Implement Strong Access-Control Measures

7. Restrict employee access to cardholder data on a need-to-know basis.

8. Assign a unique identification to each person with computer access.
9. Restrict physical access to cardholder data.

### Regularly Monitor & Test Networks

10. Track and monitor all access to network resources and cardholder data.
11. Regularly test security systems and processes.

### Maintain an Information Security Policy

12. Create a policy that addresses information security for employees and contractors.



# Your New Year's Resolution

## Building a Better Budget



**H**ave you been thinking about creating—or revamping—a budget for your shop? If so, January is the time to do it. The first month of the New Year is made-to-order for such projects.

A budget is basically a map—a plan to get from where you are to where you want to be.

Think about it. If you had an upcoming road trip from Los Angeles to Cleveland, you would check out the route options and plan your journey to save time and gas. Maybe even include some fun side trips along the way.

The same goes for your business. A good budget will provide a plan to achieve profitability and targets to shoot for along the way. It will also allow you to aspire to new heights.

If you want to show a solid profit by December 31, 2018, having a road map now could be the ticket to get you there.

### BUILDING A PLAN

- Preparing a budget involves three basic steps:
  1. Adding up your income.
  2. Calculating your cost of goods sold (COGS) and expenses.
  3. Subtracting the first sum from the second to come up with your bottom-line profit.
- You can do this by hand with a 13-column pad of paper. However, using a spreadsheet program like Excel or Sheets is even better. The software allows you to make changes and instantly adjust the entire sheet accordingly.
- **Income.** Start with your pluses. Estimate your sales for each month. Break down sales by category. One group for product sales and another for non-product sales.
- **COGS.** Use your pricing formulas to estimate COGS for each

product category. For example, if you double your cost on gifts, your COGS for gifts will be 50% of gift sales (plus 2% to 3% for markdowns and breakage).

If you're not sure what your COGS should be, these industry averages are a handy way to get started.

### COGS Industry Standards

Silk/Dried*	38%
Loose Flowers*	53%
Arrangements*	33%
Green Plants*	43%
Blooming Plants*	43%
Gifts	53%

\*These items include the container and supplies.

**Expenses.** Getting a handle on your expenses should be fairly easy. Rent is a known amount. So are equipment and vehicle purchases/lease payments.



Other expense items are also relatively easy to estimate: utilities, advertising and office supplies, just to name a few. They probably don't vary much from month to month—or at least follow a predictable seasonal pattern.

### IF YOU'RE NOT SURE WHAT YOUR PAYROLL WILL BE, USE 30% OF TOTAL MONTHLY SALES FOR SALARIES, PAYROLL TAXES AND BENEFITS.

Payroll, on the other hand, can vary. Wages rise and fall. Needs change. And payroll taxes and benefits add as much as 15% to 30% on top of your wages. If you're not sure what your payroll will be, use 30% of total monthly sales for salaries, payroll taxes and benefits.

**Net profit.** Subtract total COGS from total sales to arrive at your gross profit for each month. Then, subtract total expenses from gross profit to get your net profit for each month and for the year as a whole.

### FORECASTING

So, how does it look? If you're losing or not making enough money, analyze where you can make changes. What expenses can you cut without affecting sales or productivity?

The ability to predict and change the future is the major benefit of preparing a budget. You can see the financial consequences of various assumptions about sales and expenses. If the outcome isn't to your liking, adjust your assumptions to get the results you want.

It's empowering to know if your initial projections would lead to a loss before you actually experience that loss. Advance corrections can help you avoid unpleasant outcomes.

### CONTROLLING EXPENSES

Payroll, COGS and facilities expenses are a flower shop's three biggest expense areas. Together, these should add up to 30%, 33% and 10% of sales, respectively. All that's left is 10% for net profit and 17% for other expenses.

When it comes to trimming your budget, two of the "big three"

expenses—labor and COGS—provide easy pickings.

**Labor.** The most important insight you will gain from budgeting is the level of payroll you must maintain to be profitable.

Once you know how many payroll dollars are available for each month, you can quickly determine the staffing levels that will allow you to hit your profitability targets.

**COGS.** Provided you follow your pricing formulas, COGS figures are easier to control than payroll.

The budget will help you accurately estimate how much product you can buy each month to fill your expected sales.

### BIG PICTURE

Laying out your financial expectations in the budget is only half the battle. You win the war by making sure you hit your targets.

### THE ABILITY TO PREDICT AND CHANGE THE FUTURE IS THE MAJOR BENEFIT OF PREPARING A BUDGET.

Current, accurate and properly formatted monthly financial statements are a must. They will let you see, on a timely basis, how the business is doing.

Used together, a budget and a current financial statement are an unbeatable team. The budget lets you plan your sales, COGS and staffing levels. The financial statement offers a report card of how you did.

If creating a full-fledged budget from scratch sounds like too much work, the financial statement offers another possibility.

## KEY BUDGET CATEGORIES

The following list shows the key budget items for typical flower shops. Add others as you need them.

### PRODUCT SALES

- Silk / Dried
- Loose Flowers
- Arrangements
- Green Plants
- Blooming Plants
- Balloons
- Gifts

### COGS\*

- Silk / Dried
- Utilities
- Facilities—Repairs
- Insurance
- Payroll
- Payroll—Taxes
- Payroll—Employee Benefits
- Postage
- Supplies
- Telephone
- Vehicle Expenses
- Wire Service

### NON-PRODUCT SALES

- Service Charges
- Wire-Out Commissions
- Wire-In Commissions
- Rebates
- Delivery
- Labor

### EXPENSES

- Accounting
- Advertising
- Bad Debt
- Bank Charges
- Credit Card Fees
- Data Processing
- Depreciation
- Facilities—Rent

\*Note that the COGS categories are the same as the product sales categories. To control COGS for arrangements, you need separate COGS categories for each product sales category.

As each month approaches, pull out last year's statement for that month. Adjust the figures to how the current year has been going. There's your budget for the month.

This isn't as accurate as the more thorough method, but it's not too far off the mark. At least it's a start. You can spot and address likely problem areas.



Running a profitable flower shop is no small feat. Managing your financial responsibilities is just as important as designing beautiful arrangements.

Take time during January to estimate, as best you can, where you are going this year. The time you spend now in planning will pay real dividends in the months to come. ☺





# Give Employees a Reward

## *They deserve it!*

figure out both product costs and labor.

Suppose your arrangement cost of goods sold (COGS)—flowers, container and supplies—is 33%. For a sensible discount, you also would need to factor in direct labor costs of 10% to 25%, depending upon the type of arrangement.

Using these figures, your total hard costs for each arrangement could range from 43% to 58%.

Without losing money, you could give employees 50% off on most arrangements and a 33% discount on hand-wired and taped items that involve more labor.

### RULES TO GIVE BY

Discounts should be a benefit to employees and not a cost—in time, money or lost opportunity—to you.

Setting a few ground rules will keep your discount program running smoothly. Here are four good ones.

#### 1. Use a waiting period.

You probably buy a limited number of new gift items based upon expected sales. If you allowed employees to buy out a particularly nice item at half price, you would lose your shot at profitable, full-price sales to customers.

Protect yourself by giving customers the first chance at new merchandise. Bar employee discount purchases until three weeks have passed.

If employees just can't wait, add extra items to your regular order just for them. They can get the product and their discount right away—without cutting into your full-price sales.

#### 2. Require on-time payment.

If you let employees charge purchases, they should get their discount only if they pay the bill promptly. If payment is late? They pay full price.

#### 3. Discount only pre-made arrangements.

Discounts on arrangements should apply only to designs that are already in the cooler. With that policy, your design staff won't ...

- Fall behind trying to fill discounted employee orders;
- Skimp on service to full-price customers; or
- Watch pre-made arrangements go bad as they continue to make new ones for discounted employee sales.

If an employee wants special design services for a party or wedding, reduce or eliminate the discount altogether.

#### 4. Prohibit self-rung sales.

Don't let employees ring up their own discounted sales. A second employee should always complete the transaction. This practice will greatly reduce any temptation to steal or cheat.

And don't forget to set a good example. As an owner, you should follow this rule as well.

**DISCOUNTS SHOULD BE A BENEFIT TO EMPLOYEES AND NOT A COST—IN TIME, MONEY OR LOST OPPORTUNITY—TO YOU.**

### GOOD BUSINESS

Employee discounts are a winning proposition for everyone.

Just think your policy through thoroughly and set a few rules at the outset. When you do, your generosity won't cause you to lose money. In fact, you will win many times over with improved employee morale and loyalty. ☺

# THE COST OF HIRING AN EMPLOYEE

**W**hen the pressure is on to find a new employee, it's easy to rush to a short-term solution. Hire the first applicant who walks through the door. Make a change later if things don't work out.

While this approach may put out the immediate fire, finding and then replacing new employees can become expensive over time. Very expensive, in fact.

Let's suppose, for example, that you need a new designer to do basic arrangement work. No advanced expertise required. The estimates discussed in this story show what the first-year price tag for this employee might run.

## SEARCH

Finding a new designer may be as easy as putting a sign in your window—or as involved as screening and interviewing applicants through an employee search firm.

Let's say you choose a middle ground of placing a help-wanted advertisement in your local newspaper. Count on about \$100 for a small blurb in the Sunday edition.

Suppose further that the response is good and you spend four hours sifting through résumés plus another day calling applicants and conducting interviews. With a conservative estimate for your time—say, \$25 per hour—the “bill” for your work comes to \$300.

Even if you post the position for free using Indeed or Glassdoor or another job-posting site, you still incur the cost of your time.

Total search costs? Easily up to \$300-\$400, assuming everything goes smoothly. Plan on even more if you must re-advertise or if the applicant pool is unusually large.

## SALARY

Depending on your local market, the starting wage for an inexperienced



designer can run from \$10 to \$15 an hour.

Over the course of a year, that adds up to an annual salary of \$20,000 to \$30,000.

## BENEFITS

Employee benefits help you attract quality employees. But they come at a price. Taxes alone will cost you about 15% percent. Other benefits are even more expensive.

Let's look at just taxes. In the case of our fictional designer, taxes add \$3,000 to \$4,500 to the salary.

## TRAINING

Well-trained employees are happier, more confident and much more likely to stick around than employees who are simply set adrift in a new position.

Plan on a full week (40 hours) of training at a minimum. If you do the training yourself (again assuming \$25 an hour), that represents \$1,000 worth of your time. Add to this the other costs for any additional training you provide—for example, a class in floristry at your local community college.

## MORE

Other expenses?

Uniforms or smocks if you provide them. Paid vacations. A higher hourly wage, if that's what it takes to get good people in your area.

Because other expenses vary widely by region and the shop's situation, we won't count these extras in this analysis here. You will, however, need to account for them in your analysis.

So what's the damage? The new design hire will cost at least \$24,400 to \$35,900 in search costs, salary, training, benefits and taxes during the first year.

If you have to rehire after an unsuccessful first attempt, you will pay twice on the search, training, uniforms and the like.

This is not an insignificant amount, to be sure. ☺

## FAMOUS FINANCIAL WORDS

“People who work for themselves often discover what poor employers they are.”—Anonymous

“Speculate when you have more money than you need; not when you need more money than you have.”  
—Anonymous

“The harebrained idea may well start discussion that will lead to the perfect improvement.”—Anonymous

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

## COMPUTER DECISIONS

*“What’s the most important part of a computer/software purchase decision?”*

### Support.

No question about it.

Buy your hardware and, even more importantly, your software from a company that is dedicated to support. Sooner or later, you’ll have a question or a problem. You need to be confident that the vendor will respond quickly, positively and helpfully.

## DELIVERY CHARGES

*“Should I bundle my delivery charge in with the arrangement price as some order gatherers do?”*

### Absolutely not.

Although some customers say they prefer an “all-inclusive price,” including delivery charges in the price of an arrangement has several flaws.

First, it inflates the cost of flowers in the customer’s eyes. Most customers already believe flowers are expensive. Now flowers look even more expensive, because customers won’t subtract the delivery charge to get the true price of the flowers.

Second, it penalizes customers who don’t want their flowers delivered. Why should they have to pay for a service they don’t want?



Finally, it leaves money on the table. Studies show that customers are concerned primarily with the cost of the arrangement, not the added cost of sales tax and delivery.

Keep your delivery charge separate. You will be doing yourself and your customers a favor.

## NORMS

### ACCOUNTING EXPENSE



The typical retail flower shop spends 1% to 2% of annual sales on accounting. Smaller shops will run close to 2% of sales. Shops with \$500,000 or more in sales will be at 1% or lower.

Your accounting expense pays for the shop’s monthly financial statements and year-end tax returns. Both are essential for the information you need to run a profitable operation.

Accounting is not an area to cut expenses. It represents such a small portion of overall expenses that even if you cut a few dollars, it wouldn’t impact your bottom line much. But spending a little more on accounting to get good information can translate into higher profits.

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