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## QUICKTAKES

*Ideas You Can Put  
to Work Immediately*

### 1 Service Level Assessment

Divide your customers into groups based on the volume of business they do with you. Then determine how much and what kind of contact you want to allot to each group.

If you try to treat everyone the same, you ultimately may neglect your best customers. Make sure you go out of your way to let your VIPs know you appreciate them.

### 2 Saying No

Learn to say no. It's a hard lesson; but if you're invited to work on something that is not your project or problem, you are under no obligation to say yes.

Guilt is not a good reason to commit yourself. Focus on—and make time for—your priorities, not someone else's.

### 3 24-Hour Rule

When someone offends you, have the courage to talk to them. Offenses that are pushed under the carpet will pile up and get worse in the long run.

However, you also don't want to overreact.

A good rule is to wait 24 hours before confronting the offender. That gives you time to put things into proper perspective.

## RELATIONSHIPS



Owners are often told to focus on the bottom line. After all, that's what business is all about.

However, such a view neglects the most important aspects of

being human. People are much more than what they produce.

We were created with a built-in need for relationships. In fact, relationships are the most important part of life.

Young people often will base decisions about where to live on the activities available in the communities they consider. Is there skiing? Or good hiking? Or lots of entertainment? They assume relationships will come later. Older people more often put people and relationships first as they make life decisions.

People also are a crucial part of business.

Strong relationships flourish as a result of positive personal characteristics: respect, honesty, integrity, selflessness, patience, kindness, goodness and love, to name just a handful.

If you truly want a fulfilling work environment, focus first on building good relationships with your employees and co-workers.

Make your shop a place that everyone looks forward to visiting. Not only will you enjoy what you are doing more, your team also will end up being more productive.

Your customers also will pick up on the positive atmosphere and respond by doing even more business with you.

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# ADVERTISING PART 2 TARGETING YOUR MESSAGE

This article is the second in a series on advertising featured in the June, July and August issues of *Floral Finance*.

**W**hat is targeting? You might compare it to hunting. That's a pretty good analogy.

A hunter could go out into a field, randomly shoot a gun and hope he hits something. It might be a rabbit, squirrel or deer. Most likely, he would hit nothing.

Many companies do the same thing with their advertising dollars. They just throw money out there, without a plan. If they "hit something," it's just plain luck.

Whether you're a hunter or a florist, targeting your advertising will produce much better results. Effective targeting involves two parts.

**The Right Target.** Before a good hunter goes out, he decides what he wants. A deer, for example. With that goal firmly in mind, he won't waste time and ammunition on other things.

You, too, should decide which customers you want to reach. That's the first task in targeting.

**The Right Equipment.** If our deer hunter used a shotgun instead of a deer rifle, a few pellets might make it to hit the deer, but they probably wouldn't do any damage other than startling the animal.

If the hunter had the right equipment—a deer rifle—the results would be better.

Advertising is the same. For the best results, use the right equipment: the right message.



### DATA

Last month, we began talking about the importance of knowing what you want your shop to be: what products you want to sell, to whom, at what prices and for what occasions.

Hopefully, you have had a chance to fill out the Advertising Business Profile form that was provided in that issue. You can access a PDF of the form at [www.getadocument.com/ff](http://www.getadocument.com/ff).

Knowledge will allow you to make informed decisions. Here are a few of the most important data points to gather.

### Product vs. Market Driven

Is your shop product driven or market driven?

A product-driven business focuses on what it sells. Any person looking for those items is a potential customer. Customers looking for something different must go elsewhere.

A market-driven business is more focused on the customers' wishes. If the customers want new or different products, the shop will add to its lines.

For most businesses, the best approach is a combination of both strategies. Be focused enough on your



current offerings that you become an expert at delivering them competitively. However, also keep your eyes open for opportunities to add new products or services that your customers want.

### Volume & Timing

How much are your customers purchasing at various times during the year?

There's an old saying, "Shoot the ducks when they're flying." At first that may seem obvious. When else would you shoot them?

The saying actually means something a little different. Duck hunting is easier when a lot of ducks are in the air.

The same principle holds true for advertising. An advertising dollar spent at a busy time of the year will probably bring in two to three times as much business as the same dollar spent during a slow period. So, you need to evaluate the monthly and seasonal sales patterns in your shop.

### Popular Purchases

Once you know the volume of orders going through your shop throughout the year, you also need to identify what customers are buying.

First, you need to know what items are being purchased most frequently.

Second, you need to determine the prices that are being paid for each product. This price is a good place to start. This is the price in the middle of the pack—half of the sales were above that price and half below.

The median will suggest the range of prices you should offer and promote in your advertisements. If you don't offer a full range of prices, you will lose some potential customers.

### Men vs. Women

You also need to know who is buying at different seasons during the year. In general, men buy more flowers for Valentine's Day and anniversaries than women.

The reverse is true for all other occasions. (Yes, most men send their mothers flowers on Mother's Day, but their wives often order those flowers.)

### Means of Purchase

Most retail florists get the bulk of their business over the phone or the

internet. However, this pattern is not always true, and it will vary by holiday. Did you know that the typical floral shop delivers only 50% of its Valentine's arrangements? Half of Valentine's sales come from walk-in customers.

During times when many customers are coming through the front door, make sure you have given adequate attention to your in-store displays and signage.

Investing time and money on attractive displays and signage is well worth it. Many customers are uncomfortable about asking for prices. They think they will appear cheap if they ask a price but then don't buy the item.

Use signage to answer as many price questions as possible. Make your customers comfortable.

to sell more Mother's Day arrangements to women who are 35 to 55 years old.

Your theme might be "Make your mother, your mother-in-law and your husband happy." This would target the very person who purchases the most flowers at Mother's Day: a woman buying for both her mother and her husband's mother.

That's what targeting is all about. Instead of a general ad for "Mother's Day flowers," you are tailoring your message to the people who will most likely respond.

### DON'T FORGET TRAINING!

A final part of effective advertising is to train your employees. Too many shop owners miss this critical point.

They think advertising only happens outside the shop via external media.

## DID YOU KNOW?

**The typical floral shop delivers only 50% of its Valentine's arrangements.**

**Half of Valentine's sales come from walk-in customers.**



### STRATEGY

Targeting your advertising is not complicated, but it does require a good strategy.

To get the biggest bang for your buck, advertise during the biggest holidays. Promote the products and services that are most desired by your customers. And determine exactly which customers you want to reach. Male or female? Older or younger?

Now, put your advertising message together. For example, assume you want

However, a properly trained sales team will ensure maximum sales.

Let the sales team know what you are advertising, why the item is a good value and how to describe it to potential customers. Explain all of the key features and benefits. Always equip your staff with compelling word pictures they can use when advising customers.

Investments in employee training probably will produce a greater return on investment than any other advertising expenditure. 🌸



# ADVERTISING PART 3

## BUDGETS, TIMING & TIPS

One of the biggest questions in getting an advertising program together is how much to spend. Following closely behind is the question of when to spend it.

If you spend too little relative to your sales, the impact of your program will be minimal. If you spend too much, you will be wasting your money.

Ideally, advertising should pay for itself and then some. In other words, whatever you spend on advertising should bring in enough additional business to cover the cost and add to your bottom line. The problem is that it's not easy for a retail florist to track sales that accurately.

Some customers will respond immediately to your advertising. Others—maybe the majority—will merely see your ad and file it away for later reference. By building your brand image, the ad supports future (rather than immediate) sales. In that sense, advertising is an ongoing investment.

.....

### HOW MUCH TO SPEND?

This is the big question. There are a variety of ways to decide what to spend.

Retailers and manufacturers in other industries sometimes budget their advertising as an amount per unit sold. Especially when they sell or produce high-end, expensive products.

The cost of the item is known. The selling price includes the cost to market the product plus a reasonable profit margin.

However, a retail florist has too many different items—all at fairly modest prices—to make this method practical. The more common approach to developing a budget for retail florists is to use a percentage of sales.

The percentage-of-sales method is easy to understand and calculate. It also is consistent and easy to manage. Advertising becomes a regular expense item, just like payroll or rent. The only variable is what percentage to use.

### The Correct Amount

To gain market share, some high-tech companies spend 80% of their expected

revenue on marketing. They can do that because their investors are willing to pump millions of dollars into the future of the business.

Retail florists don't have that kind of capital. They must fund their advertising from current revenue.

No standard percentage is right for every shop. It all depends upon what you are trying to accomplish.

If you are looking to grow aggressively, you will need to advertise more aggressively. For an established and stable florist, a smaller amount will do.

The average advertising expenditure in the industry is 3% to 4% of sales. If you want to be aggressive, you will need to go to 5% and probably even a little more.

### Size vs. Market

The larger your shop is relative to the size of your market, the more effective your advertising can be. There are two reasons for this.

First, if you have a large market share, you probably can afford to use mass media.

Second, your advertising can build on the awareness the average consumer already has of your shop. Each message will add impact to previous messages.

For example, suppose your local market has 100,000 people. You estimate that the average consumer in the market spends \$60 per year on products from retail florists.

That puts total annual floral purchases in your market at \$6 million.

If you have 40% of the market, you are doing \$2.4 million in annual sales.

An advertising budget of 3% of sales would be \$72,000. That's enough money to make a real impact in the market.

A florist with the same sales volume in a metropolitan market of more than 1 million people wouldn't be able to produce the same result with \$72,000 in advertising. General mass media would be too expensive. The shop's advertising would have to be more targeted. This is the way it is for most retail florists. They do not dominate the market in which they operate.

### Settling on the Number

Should a percentage-of-sales advertising budget be based on the sales you had in the previous year or the sales you expect to have in the coming year?

For most retail florists, the two will not be that far apart.





If you're new to the game, use last year's sales. If you've been at it longer and your past estimates have proven fairly accurate, use your projected sales.

#### WHEN TO SPEND?

This is the next big question. You've determined how much you want to spend on advertising. When are you going to spend it?

A small florist with less than \$200,000 in sales per year will have an advertising budget of only \$6,000 to \$8,000.

That won't buy much if you divide it up equally throughout the year. Spending larger amounts less frequently will give you a better chance of making a splash.

A small shop that is just getting started might use its entire budget to buy a reader board. A small shop that already has a reader board might select one or two major occasions for its advertising.

#### Shoot the Ducks When They Are Flying

This principle was mentioned in the article on page 2. You will get a far greater return if you advertise when customers already are predisposed to buying.

Remember, the vast majority of floral purchases are not planned. They are made spontaneously in response to an occasion or need. Advertising when a large number of customers have a buying occasion will bring the best results.

Consequently, most retail florists should focus on the four major flower holidays: Valentine's Day, Administrative Professionals Week, Mother's Day and Christmas.

You could simply divide your advertising budget into four equal pieces if your budget is big enough.

#### Advertising Needs an Occasion

Suppose your budget is fairly large and you want to advertise at other times during the year. What would the next best opportunities be?

If possible, advertise around an occasion. Can you tie into a community-related celebration? Is another festive occasion, such as Sweetest Day, a natural?

THE AVERAGE  
ADVERTISING EXPENDITURE  
IN THE INDUSTRY IS  
**3% TO 4%**  
OF SALES.

If not, create your own event to generate some excitement. Just make sure your budget is large enough to make a real impact in your market.

#### WHAT ARE SOME OTHER TIPS?

In addition to allocating dollars to your advertising plan and staging the timing, there are some other angles you can use to maximize your plan's effectiveness.

#### Mine Existing Customers

It is always less expensive to get present customers to make an additional purchase than it is to find a new customer. The more limited your advertising budget, the more you will want to

concentrate advertising dollars on your present customer base.

Promoting your shop to present customers is usually the least expensive form of advertising. Social media, email or direct mail normally will do the trick.

#### Advertise Your Own Specials

Cooperating in a local co-op ad for a wire-service special often will make sense. However, you will get an even greater impact when you promote your own special.

Make your special attractive. Ensure that it has unique appeal and that customers can only get it from your shop.

#### Brandish Your Brand

If you have the money, you also should set aside a certain amount of your advertising budget for those ubiquitous brand enhancers. Wall calendars. Desk calendars. Pens. Refrigerator magnets. Business cards. Statement stuffers. These items are often called "trinkets and trash" by sales personnel.

When branded with your logo, all will remind customers of your shop throughout the year.

Finally, don't forget delivery vehicle signage. These rolling advertisements generate thousands of impressions every day. Attractively branding your vehicles will be among your best-spent ad dollars. The brighter, the more creative, the better. The vehicles will constantly reinforce your image as they move about town. 🌈

Next month, we'll look at the various types of advertising media you can use and the cost of each. Then we'll review the basics of ad layout and, finally, take a look at how to evaluate your results.



# COMMERCIAL CUSTOMERS

*Big Business Deserves Special Attention*

## TIPS TO KEEP COMMERCIAL CLIENTS HAPPY

- Professional invoices and statements
- Early payment incentives
- Quality guarantees
- Ability to handle standing orders
- Strong relationship with person placing order
- Commercial account representative
- Wide range of gift items
- Up-to-date website
- Toll-free 800 number
- And, of course, quality products

**C**ommercial accounts can be big business—whether through large, occasional orders or small, regular ones.

You can help keep commercial customers happy by doing the same things you do for individual consumers: ensuring consistently high quality in your products; filling orders reliably; being pleasant and helpful; and going out of your way to please.

But commercial customers have special needs because they have customers and employees of their own to keep happy. You can fulfill these special needs by customizing your approach to commercial accounts.

Commercial accounts are looking for turnkey solutions. They want to call you with a need—perhaps flowers for a key client—and know that you will take care of everything, from the order right through the delivery.

If you send a delivery confirmation so they won't have to check back with you after the order, that's ideal. Personal service is your specialty.

### BILLING

When you're working with a business, your billing procedures have to be first class.

Some corporate accounts will go for credit-card billing. Most will want you to bill them directly.

Check with your customers to see if they prefer invoices for each transaction or monthly statements. Most will opt for invoices. But making the offer shows you're tuned into providing the service level they desire.

Your invoices and statements should be clear, complete and professional

looking. Each line item should include the name of the recipient and the purpose of the order.

Why is all this detail so important? Your customer's accounting division or bookkeeper must sort through the incoming bills and assign the charges to the appropriate accounts. The easier you can make this process, the better.

Many businesses also are accustomed to discounts for early payment.

**Check with your customers to see if they prefer invoices for each transaction or monthly statements.**

One common discount is "2%, net 10" (2% off the price if the bill is paid within 10 days). You might consider it. The customer saves a little money. You get paid more quickly.

### 24/7 SERVICE

What do busy corporate executives do when they are out of town and suddenly realize it's their anniversary or someone's birthday? Or when they want to say thanks to one of their customers or prospects?

Your products and services are the perfect solution in all of these scenarios. Your website is available night or day. Put your shop's website address on every printed item you give to commercial customers.

Also consider an 800 number for those business customers who want to talk directly to you. While cell phones offer free long distance, corporate customers will often call from land lines.

### DIVERSE OFFERINGS

Promote non-floral items to your commercial clients. Make sure they know that you offer green plants, gourmet food items, gifts (seasonal and otherwise) and other non-floral products.

### RELATIONSHIPS

Businesses are comprised of people. So, work hard to build relationships with the individuals who work for your commercial accounts. Some ideas:

- Reminder calls before Administrative Professionals Week
- Periodic thank-you notes
- A face-to-face meeting to gain a better understanding of their business
- A tour of your shop so they can better understand your capabilities.

The more you can build these personal relationships, the more you will build your commercial business.

### SPECIAL ASSIGNMENT

You may have a commercial client that is particularly important. Maybe the company places frequent or extremely large orders. Or maybe they are simply quite demanding.

In those situations, assign a dedicated account representative to the customer. A single point of contact who knows the account intimately.

But don't isolate yourself from these VIP corporate accounts. Keep tabs on their activity and orders so that if the account representative is ill or unavailable, you can easily step in.

It's important to fulfill corporate customers' needs, no matter the circumstances. That's how you keep them happy—and keep them calling. 🌿



# FINANCIAL TARGETS

**W**hat's the Industry Standard?"

When florists call *Floral Finance* Business Services, this is the question they most often ask.

It makes sense. There are standards for everything: the average summer temperature, the gas mileage of our cars, how much we should weigh, even our IQs.

If you want to know how your business is doing, it is helpful to know what the norm is. Here are some financial targets you can use to evaluate your shop's performance.

## COST OF GOODS SOLD

Cost of goods sold (COGS) is the cost of the product you sell. For an arrangement, that includes the flowers, foliage, container and supplies.

COGS does not include labor. Labor is an expense item.

Most florists have one COGS category on their financial statement that groups the costs for all products together.

An even better approach is to separate the most important COGS categories so you can see how well you are controlling costs in each area.

If you use a single COGS category, an overall target of 32% to 37% of total sales is reasonable.

When you use separate categories, the ranges will vary, depending on the product. COGS for arrangements (flowers and foliage only) should not exceed 25% of arrangement sales. Containers and supplies should be put in a COGS for supplies account.

COGS for green and blooming plants will run around 40% to 45%.

The appropriate COGS target for loose flowers will depend on your pricing policy. If you use a double markup, the target COGS will be 50%. If you use a triple markup, it will be 33%.

## PAYROLL

Payroll targets depend somewhat on the size of the business.

**Annual Sales up to \$500,000.** If a shop's owner/manager is on the payroll, total payroll expense, including payroll taxes and benefits, should not exceed 30% of sales.

If the owner/manager is not on the payroll, total payroll expense should not exceed 20% of sales.



These figures suggest that the owner/manager of a well-run flower shop should receive compensation of 10% of sales for his or her services to the business. That leaves 20% for everyone else.

**Annual Sales Above \$500,000.** The numbers above hold true for larger shops' first \$500,000 in sales. Above that, the overall 30% total stays the same, but the owner/manager's share drops to 5% so the shop can pay for one or more additional managers.

Typically, designer payroll will equal 10% of design sales. In a shop doing primarily arrangement sales, designer compensation will be close to 10% of total sales. The other 10% will be

divided among sales, office and delivery, with sales taking the biggest share.

## FACILITIES

This includes rent, repair, maintenance, facility insurance, property taxes and utilities. Total facilities expenses should be no more than 10% of sales. The industry average is 7% to 8%.

Shops in regional malls may be paying rent of as much as 12% to 15% of sales. As a result, it is difficult for these florists to make a profit.

## ALL OTHER EXPENSES

All other shop expenses will run from 15% to 20% of sales, including:

- Advertising: 3% to 4% of sales
- Telephone: close to 1% of sales
- Delivery: 3% to 5% or more, with the largest portion going toward the vehicle.

## PROFIT

Profit is what is left after all costs and expenses are paid. Not surprisingly, this is the most important standard of all.

If the owner/manager is on the payroll, a well-run shop should make a profit of 10% of sales. As much as 15% is possible in a very well-managed shop.

If the owner/manager is not on the payroll, a well-run shop should earn 20% on the bottom line.

Remember, these numbers are standards. They are not impossibilities. If you manage your shop well, they are very attainable. 🌿

## FAMOUS FINANCIAL WORDS

"If a free society cannot help the many who are poor, it cannot save the few who are rich."—John F. Kennedy

"A poor person who is unhappy is in a better position than a rich person who is unhappy, because the poor person has hope. He thinks money would help."—Jean Kerr

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## NORMS

SALES INCREASE



# INQUIRIES & ANSWERS LETTERS

## DESIGN LABOR

*“When I price an arrangement, I take into account the designer’s wages and the time it takes to make the arrangement. Is that enough?”*

**No.**

Salary is only a part of the labor cost in an arrangement.

On top of the hourly wage, you will have at least an additional 10% in payroll taxes. Benefits, like health insurance, paid vacation, holidays and education, can easily add another 10%. You also must consider the overhead attributable to each employee—rent, utilities, equipment and fixtures can add another 30% to the hourly wage.

And you need to make a profit on your labor. A double markup after factoring in taxes and benefits is the usual way to account for labor. However, there is a simpler way: a labor charge equal to 20% of the retail price of the arrangement. A reasonably productive designer can create \$200 of designs at retail per hour. A 20% labor charge would translate to \$40 per hour.

## WIRE ORDERS & PERCENTAGE RENT

*“My new lease has a percentage rent clause in it. I pay a base rent or a percentage of sales, whichever is greater. Should I include wire orders in the sales for the percentage calculation?”*

**No.**

Wire orders, both in and out, are not a normal type of sale. You do make money on your wire orders, but not as much as you do on normal sales. While wire orders make a contribution to expenses, it is not enough to cover a percentage rent.

On an outgoing wire order, you get to keep 20%. In other words, you gross only \$12 on a \$60 outgoing order. You certainly shouldn’t pay percentage rent on the whole \$60.

If your landlord insists that you pay rent on the sale, don’t agree to anything more than your 20% share. Incoming wire orders create a similar problem. Your shop only receives 73% of the order.

Once you point out these facts, most landlords will agree that wire orders should not be counted as a part of sales for percentage rent calculations. At least not at full value.

Note: It will be easier to get this concession before you sign your first lease. It’s much more difficult to go back and eliminate wire orders from the calculations later.

**T**his is the increase in sales most florists experience after giving their employees proper sales training. It’s true. Learning how to sell can have a dramatic effect on sales figures.

This is not training on how to “twist customers’ arms” but rather how to make each customer aware of the products and prices you have available to meet their needs. The key is identifying the occasion at the beginning of the conversation and then presenting a variety of options.

One tip: Always offer at least one choice above \$100. You’ll be surprised how many customers will want the premium product.

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