'SPECIAL' SALES
Are They Even Necessary? Page 4

FINANCIAL INFORMATION, EDUCATION & CONTROL

40 YEARS

Floral Finance®

teleflora®

NOVEMBER 2021
VOLUME 40, ISSUE 11

INSIDE THIS ISSUE

QuickTakes

Ideas You Can Put to Work Immediately

1 Get Commitment

Employees don't usually commit to a need. They commit to a vision.

Do you ask employees to provide excellent customer service because customers need it? Or do you share with them your vision of building a flower shop that is respected and admired because of its incredible customer service?

Employees will be much more likely to embrace and commit to the visionary approach.

2 Reprimands

If you must reprimand an employee, do so face to face. The other person needs to see your expressions and sense your spirit. You also can correct any misunderstanding immediately.

Email is a bad idea. Emails often are shared with others—sometimes, inappropriately so. You might have to spend hours putting out fires that never should have started in the first place.

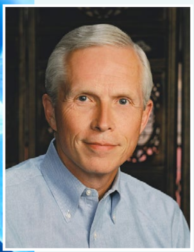
3 Use Your URL

Florists who promote their URLs get more traffic and more sales on their sites.

Put your URL on every printed piece that goes out of your shop. Add it to your exterior signage. Make sure it's on your vans. Include it in all of your ads.

FROM THE PUBLISHERS
OF FLORAL FINANCE®

THOUGHTS OF SUCCESS



The author is unknown, but these thoughts will help anyone who wants to succeed.

- The greatest sin: *Gossip*
- The greatest crippler: *Fear*
- The greatest mistake: *Giving up*
- The most satisfying experience: *Doing your duty first*
- The best action: *Keeping your mind clear and your judgment good*
- The greatest blessing: *Good health*
- The biggest fool: *The man who lies to himself*
- The greatest gamble: *Substituting hope for facts*
- The most certain thing in life: *Change*
- The greatest joy: *Being needed*
- The cleverest person: *The one who does what she thinks is right*
- The most potent force: *Positive thinking*
- The greatest opportunity: *The next one*
- The greatest thought: *God*
- The greatest victory: *Victory over self*
- The best play: *Successful work*
- The greatest handicap: *Egotism*
- The most expensive indulgence: *Hate*
- The most dangerous person: *The liar*
- The most ridiculous trait: *False pride*
- The greatest loss: *Loss of self-confidence*
- The greatest need: *Common sense*

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

On the cover: Teleflora's *Autumn Radiance Bouquet*

It's Payday!

The big day comes every two weeks in most shops. The owner hands out (or mails) sealed envelopes to everyone on the staff. Inside is each person's paycheck—or a summary of their pay and automatic bank deposit.

It's a happy day for the employees. They will have money in the bank.

From the owner's standpoint, payday may bring mixed emotions. Being able to provide income to employees and their families certainly brings some satisfaction. There's also a sense of pride that your little business is contributing to the community's economic base.

However, the more your staff costs mount, the more you wonder: Is my payroll out of control? Am I paying anyone too much? Am I getting all I should out of the staff I have? Could I cut payroll without sacrificing productivity?

IN ROUND NUMBERS

With the possible exception of cost of goods sold (COGS), payroll represents your biggest cash outlay, month in and month out. Even a well-managed shop will see 30% of total revenue going toward payroll.

Seemingly small payroll mistakes will have much bigger consequences than other errors. If you pay $7.50 for a box of pens you could have picked up for $6.50, that's not a major problem. If you pay $18 an hour to an employee whose time is only worth $15, that is a big problem—a $6,240 problem over the course of a year.

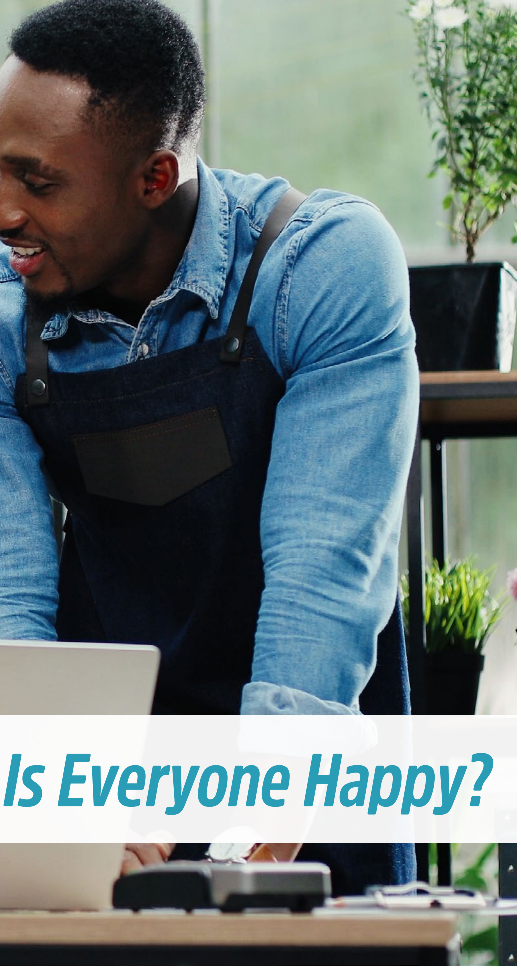
Similarly, if you overpay three employees $1 per hour, you can subtract $6,240 from your annual profit or add $6,240 to your loss.

WHAT'S AN OWNER TO DO?

To attract good people, you have to pay good wages.

And every year, every employee expects some sort of raise.

How can you stop the ball from rolling once it starts? Just as your lease terms prevent you from changing your rent in the short term, it's hard to dramatically impact labor costs in the short term.



Is Everyone Happy?

Or is it?

You can—and must—take control of your payroll. And there's no reason for pessimism. At least six steps will help you do just that.

1. Define the Jobs Correctly.

Match each person's pay to the position he or she is filling.

Sounds simple enough. The complexity is that floral employees often serve in more than one capacity. A few hours in the design room. A few sales calls. Helping in the office. And maybe even making some deliveries.

How do you pay such employees?

Are they designers? Salespeople? Office assistants? Drivers?

Salaries should take into account the work the employee does—and how much he or she does it. Take a "designer" who actually spends 50% of her day on routine non-design work. She isn't a full-time designer. So, you shouldn't pay her a full designer's wage.

2. Maintain Proper Staffing Levels.

Every hour of every day has to be staffed for productivity. That means you need different staffing levels for the varying volumes of business you face throughout the year. Non-holiday times will require significantly less horsepower than holidays. And each holiday will present its unique needs.

Even days of the week have their own patterns. You're probably busier on Monday and Friday than on Wednesday. So, your staffing should reflect that fact.

Productivity is another important element in proper staffing. You should set performance standards for each position. Then, make sure the staff sticks to those standards. High standards make proper staffing levels possible.

3. Avoid Overtime.

You can't ask people who already are working 40 hours a week to put in extra time during peak periods.

They will be too tired to work at maximum productivity.

And they will make more mistakes. After all, they're bushed. They aren't at their best. They want to go home.

Just as important, you'll be paying time-and-a-half for those unproductive overtime hours. If it takes overly tired workers longer to complete their tasks, you lose twice. Your payroll costs will soar.

It's much smarter to include a few part-timers in your regular staff.

When a holiday or a big wedding week rolls around, the part-timers can add extra hours without pushing you into overtime.

4. Know Your Market.

To attract quality people, you have to know what the local market is paying. If your salaries are grossly under the average, skilled workers will go elsewhere. At the same time, shops whose wages are well above the local market rate are unnecessarily paying out extra dollars.

To understand your competition, you must consider shop size, city size and geography. Your true peers are shops in situations similar to yours. Not those operating in a completely different environment

5. Track the Owner's Compensation Accurately.

A small business owner is more than just an employee. He or she is also an investor.

Unless you distinguish between the owner's compensation for services rendered and the profit the business generates, you won't have a clear picture of the shop's performance.

There are two ways to handle owner compensation.

Option One (best): Determine a reasonable wage for the work the owner does for the shop. This is easy. Just ask what you would pay someone else for those same services.

Include that amount in your payroll. Any other money the owner takes out is profit, not salary.

Even a well-managed shop will see 30% of total revenue going toward payroll.

If you don't set a market-based salary for the owner, the profit on your financial statements will be seriously distorted:

- Too high if the salary is artificially low.
- Too low if the salary is artificially high.

Option Two: Keep the owner off the payroll. Treat whatever money he or she receives as "owner's draw." With this approach, your total payroll should be dramatically below that of a shop in which the owner takes a salary.

6. Make Changes.

You don't have to (and shouldn't) accept excessive staffing levels or unwarranted wage levels. If changes need to be made, make them.

That could mean letting some people go.

It might mean cutting someone from full time to part time.

It might even mean cutting wages.

Any of these actions will be unpleasant. There could be repercussions. A full-time employee you ask to switch to part time might decide to leave the shop altogether.

Working through all the problems won't be easy. On the other hand, sticking with unwise payroll practices would be even worse.

So, bite the bullet. Make the necessary changes and move on.

'SPECIAL' SALES

Are They Even Necessary?

Over the past few years, holiday "sales" have run much more frequently and much earlier in the season.

Today, in fact, there seems to be a nearly constant flow of sales throughout the year.

Sears was one large retailer that used sales to its detriment. Shortly before declaring bankruptcy in 2018, an incredible 55% of Sears' sales volume was attributable to special sales. Only 45% of its revenue came from merchandise sold at regular prices.

THE QUESTION

The question for floral retailers is this: Are frequent sale promotions really in your best interest? Or is there a better path to bigger profits and more satisfied customers?

To begin, let's clarify a few terms.

What is a "sale," anyway? Basically, a sale is when you offer flowers or other goods at less than the customary price.

As a floral retailer, a number of reasons might prompt you to offer sales.

Special Buys. You buy out-of-season products or an unusually large volume at a discount. That allows you to offer the items at less than your normal price, while still getting your customary gross profit margin. The customer wins. And you do, too.

Lemon Sales. You mark down products that haven't yet moved—and don't look like they're going anywhere—to get them sold. It's better to get a few dollars than to have the inventory continue gathering dust.

Yo-Yo Pricing. Prices are cut piecemeal in response to competitive pressures. Roses on sale this week, exotics next, everything else the third. When the pressure on a given product subsides, you return prices to normal levels. When the pressure returns, down go the prices … again.

The first two types of sales often make sense. Yo-yo pricing, however, is something you really should avoid. It can cause short- and long-term damage.

THE YO-YO & YOU

It's easy to slip into a pattern of yo-yo pricing without even realizing it.

A new competitor comes into town. It might be an innovative retail florist. More likely, it's a mass merchandiser that also wants to sell flowers. Every week, the store runs an ad for a new special. You respond by cutting prices on similar items that you offer.

Special sales may seem like the obvious way to compete with the discounter. Or maybe you just lose confidence in your ability to generate traffic in the new competitive environment.

Either way, you temporarily cut your prices. When things get back on track, you halt the specials. But at the next hint of trouble, you try to compete on price again.

DANGERS

On-again, off-again sales are a sign that you are on the defensive. You're not in control of your pricing. You don't have a clear-cut strategy.

An overemphasis on sales creates at least four marketing problems.

Bad Conditioning. You can easily condition your customers to be "sale-only" buyers. They know you're going to put the item they want on sale at some point. So, they'll just wait. You've taught them that your normal price can be bettered if they are patient.

Confusion. Yo-yo pricing often leads to confusion in the marketplace. With repeated specials in unexpected places, customers won't know which of your regular prices are really good deals. You're setting up patrons for disappointment when a stem they bought one day for $3 is on special the next day for $2. Even if you refund the difference to those who complain, the confusion doesn't make for strong customer relationships.

Mistakes. You miscalculate the amount you need on a given arrangement. The more you sell, the more you lose. Or the demand for an advertised special is greater than you expected. You risk disappointing or even antagonizing important customers.

Credibility. Over-reliance on sales also creates a potential credibility problem. At the extreme, customers come to believe that your "regular" prices really mean very little. The real price, they will conclude, is the special discount.

They become convinced that the old, regular price is just a gimmick. You probably marked the item up one day just so you could then mark it down the next to trick people into thinking they were getting a deal.

EVERYDAY LOW PRICES

Many smart retailers, both small and large, have decided to seek a better way: No more yo-yo pricing. Fewer special sales; more everyday low prices.

This philosophy says, "I'm going to give customers my best shot every day. They may not get the lowest price from us on a given day. But they are going to get consistent value, day in and day out."

The difference is subtle, but oh-so-important. This strategy sends a positive message to the customers. Your commitment is to give consistent, daily value. Not to match one competitor's price today and another's tomorrow.

You are back in the drivers' seat.

VALUE

You pick the market in which you want to compete and the type of customer you want to reach. Those decisions will dictate the level of service you need to offer and the pricing strategy you should use to achieve the best value.

The result may be decreases in some of your regular prices. It will mean elimination of deep discounts to attract crowds or compete with discount retailers.

As a retail florist, remember that you serve a different market than the discounters. You sell service as much as, if not more than, flowers. Discounters can't and won't do what you do.

For example, retail florists own the sympathy market. A full 85% goes to traditional florists. Why? Because these customers need exactly what you offer. By giving good value for your sympathy flowers and services, you won't have to lower your prices.

THE RESULTS

If you forsake sales in favor of consistent prices, what results can you expect?

Lost Customers. Don't be surprised if some customers go away and don't come back. A few people don't buy anything that's not "on sale." When your special sales diminish, so will they.

On-again, off-again sales are a sign that you are on the defensive. You're not in control of your pricing.

Found Customers. If you promote your philosophy properly, you'll gain new customers. Ones who are attracted by your honesty, your candor and your commitment to value. As a result, you won't have to worry too much about the few customers you lose.

Solidified Customers. Some existing customers will see your consistent value. They won't be looking for deep discounts. They'll become more attached to your shop and less prone to price shop and store hop. They know your overall value will be the best around. They won't have to check five different stores before each purchase. They'll just give you the order.

Consistency. Old, new and potential customers will know what you're doing. They won't have to guess. Operationally, the new policy also will simplify your life. Your staff won't have to run hither and yon every few days, reticketing items (lower prices for the new sale items, higher ones for those going off sale).

PROMOTIONAL STRATEGY

It's arguable that retailers committed to consistent pricing have stronger promotional programs than those that don't.

You won't have to use the word "sale" in all of your newspaper ads. And that's good because "sale" is a suspect term in many customers' eyes. To them, it connotes less value or quality.

The everyday-value retailer creates a more positive image. Try a picture of your in-house "featured arrangement" in your next promotion. Stress your consistent emphasis on top value.

NO MORE SPECIAL SALES?

No, of course not.

How you run sales is a question of your overall strategy. Are special sales the centerpiece of your strategy? Or will you, instead, stress everyday value with a handful of sales for specific purposes?

It's up to you.

CAPITALISM

The Many Gifts of Business

John Stossel, the former co-anchor of ABC's *20/20* program, once wrote the following:

"The media tell us there are two worlds: the nonprofit one, where everything warm, caring and devoted to the public good takes place; and the for-profit one, where capitalists cruelly exploit the weak. In movies today, the person most likely to be portrayed as a murderer, child molester or destroyer of the environment is not a Nazi or a member of al Qaeda. He's a businessman."

In a world where corporate scandals dominate the news, it is easy to understand why popular sentiment might be against business and capitalism.

However, what is the truth about capitalism? Are you, as a small business owner, out to wreak havoc on the world through your greed?

Hardly.

Most retail florists probably see it more like this: "Gee, I am just trying to make a living, and in the process serve my customers well and pay my employees reasonable wages."

Non-Profit & For-Profit: WHAT'S THE DIFFERENCE?

Non-profit and for-profit organizations both have employees. Both provide goods and/or services. The difference is that the for-profit entity tries to make a profit. If it does, it pays taxes on the earnings.

The non-profit tries to raise enough money each year to fund its mission and cover its expenses. Any surplus at the end of the year is carried over and not taxed.

Since the average business has a profit of less than 5%, there's not much difference from a financial perspective.

The for-profit company has to pay market rates for its employees. They all are looking for a living wage in return for their services.

The non-profit may have volunteers or other workers who are willing to accept below-market wages because they believe in the "cause."

The Big Difference?

It's the source of the two organizations' money.

For-profit businesses get money by providing goods and services that customers want and are willing to purchase.

Non-profits get the bulk of their revenue through contributions from donors who support the cause.

Which one has more accountability? The for-profit organization.

If a business's goods and services do not deliver the promised value, customers quit buying.

A non-profit, on the other hand, may be mismanaged or use its money inefficiently for years. The funds may still come in because the donors believe in the "cause."

BUSINESS IS A BLESSING

In spite of what you might hear, business is a blessing to the world. Capitalism provides the highest quality goods and services for the least cost.

YOU SHOULD NOT UNDERSELL YOUR ROLE AS A BUSINESSPERSON IN MAKING THE WORLD A BETTER PLACE.

The free market polices the process remarkably well. Companies that don't deliver on their promises end up going out of business. Those that do deliver are rewarded with customers and profits.

Employees and their families are blessed when a business does a good job in the marketplace.

Salaries are paid, insurance is provided and, often, career growth opportunities are realized.

Stossel speculated in his article that, in one sense, business leaders have helped more people than Mother Teresa. It's an interesting idea. But whatever your view of corporate titans and Mother Teresa, here's the point: You should not undersell your role as a businessperson in making the world a better place.

By putting your talents to work in the free market, you not only are helping your family, you also are bringing benefits to your employees and customers that, in turn, enhance the experience of life.

Keep up the good work.

Wires-Out Service Charges

Processing an outgoing wire order involves just a few costs.

There's the transmission cost, of course.

The labor involved in taking the order, sending it and reconciling the wire service statement isn't much time. Maybe 10 to 15 minutes. Even less if you use a POS system that sends the order automatically or Dove, which can select the florist for you.

Every service is valuable. Set your wires-out service charge to make a profit.

Don't forget the cost of supplies. Three-part invoices aren't cheap.

The big variable is the time it takes to sell the order. A phone order will take less time than working with a customer in your shop. An internet order takes the least time of all.

MAKE A PROFIT

Every service is valuable. Set your wires-out service charge to make a profit. That's the name of the game.

Most florists charge $4.95 to $9.95 to send a wire order. In *Floral Finance*'s experience, the most common charge is $8.95.

PROPER PRICING

When you set the price, remember how price barriers affect the customer.

A customer who is willing to pay $5.00 for something will usually pay $5.95 without hesitation.

Every other retail industry knows and uses this principle to their advantage. You should, too. If your normal price is $5.00, $6.00 or $7.00, at least adjust them to $5.95, $6.95 or $7.95.

Average Cost to Handle an Outgoing Wire Order

Transmission Cost	$0.50 to 0.75
Labor ($15/hour + 15% taxes and benefits)	
@ 10 minutes/order	2.88
@ 15 minutes/order	4.31
Supplies/invoice	0.25
Total cost per outgoing wire order.	
Low	3.63
High	5.31

You should never price "on the dollar." If you do, you are leaving money on the table.

WHAT PRICE?

Large order gatherers charge around $15 for their outgoing wire orders. That's a good indication of what the market will bear.

In large metropolitan areas, many traditional retail florists are already at that level. Smaller markets, of course, are lower.

Don't be afraid to set your price to make a good profit. Experience shows most customers won't be bothered. Complaints will be few.

If you find that you went a little too far, you can always roll the price back. The vast majority of your customers will never know about the hiccup.

Take a look at the cost table above. It gives a good idea of what it costs you to sell and handle the outgoing wire order.

FAMOUS FINANCIAL WORDS

"People will buy anything that's one to a customer."
— *Sinclair Lewis*

"It doesn't matter if you're rich or poor, as long as you've got money."— *Joe E. Louis*

"Last week is the time that you should have either bought or sold, depending on which you didn't do."
— *Leonard Louis Levinson*

teleflora.
3737 NW 34TH ST
OKLAHOMA CITY, OK 73112

INQUIRIES & ANSWERS

Letters

INVENTORY TURNS

"What's a good target for inventory turns?"

It depends on the product.

Fresh flowers will turn 100 times per year. In fact, they turn so fast that you really don't need to inventory fresh flowers. Doing so would be a waste of time.

Your turns on other items will vary. Gift retailers consider two turns per year to be good. So, don't plan on turning plush animals or other gifts any faster than that. Cards and candles will turn up to three times per year.

As you can see, fresh flowers turn much faster than anything else in your shop. The more you can do to increase your flower sales, the less money you will have to tie up in inventory.

PRICING MULTIPLE DELIVERIES

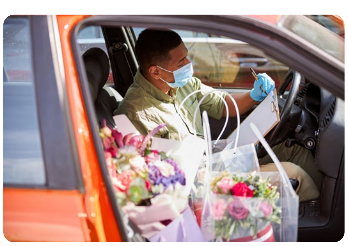
"We deliver quite a few arrangements to our local hospital. Shouldn't I give a break on the delivery charge?"

You don't need to.

Florists filling outgoing hospital wire orders often impose only a nominal delivery charge. The logic is that making multiple deliveries to the same place at the same time lowers the delivery cost for each individual order. Consequently, the charge to the customer can be reduced.

Delivery is arguably the most valuable service you offer. Shouldn't you make good money on your most valuable service? Of course you should.

Many florists are afraid a full hospital delivery charge will drive customers away. The evidence just doesn't support that fear.



Customers don't come to you because of your low delivery charge. Few will stop using your shop if you apply your full delivery charge on hospital orders.

Even if you lose a few orders, ask yourself this question: "Will I gain more money than I will lose by raising this charge?" If the answer is "yes"—and it usually is—you should make the change.

NORMS

GIFT SALES

This is the average florist's gift sales as a percentage of total sales.

Does that surprise you? It shouldn't.

Retail florists are in the flower business, not the gift business. Even though you compete with gift retailers for some customer dollars, your customers' usual gift of choice is "flowers."

Most retail florists carry just a few gift items. Those who venture deeply into hardgoods find it requires a significant amount of inventory, with slow product turnover.

Retail florists are … well … "florists." Most of your products and services revolve around perishable items. Flowers are what you are good at and what probably will give you the best return on your investment.

FLORAL FINANCE is published 12 times a year by Teleflora LLC

Annual subscription rate is $89.95 domestic and $129.00 (Canadian) in Canada.

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