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QuickTakes

*Ideas You Can Put
to Work Immediately*

1 People Problems

Problems rarely go away by themselves. Especially people problems. Employees who create issues usually are blind to what they are doing. They can't see the harm they are causing.

You have to confront and manage people problems. Don't let things just slide along. Decide today to tackle that personnel issue you've avoided.

2 The Art of Communication

You might think you're in the flower business. Who would deny it? But in another sense, you're in the communication business.

You must communicate your expectations to your employees. You must communicate about your products and services to customers. And you must use your floral artistry to communicate each sender's message.

Make sure you communicate clearly in all areas.

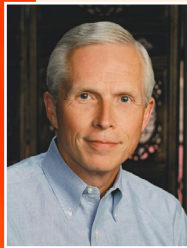
3 Micro-management

You'll often hear the advice "Don't micromanage." Generally, that's a good policy.

In the design room, however, it is not. You should double-check the work. Count the flowers in each arrangement.

To make money, you must follow your pricing formula and not add extra flowers. Micromanaging the design room will keep you on track.

RAISE YOUR PRICES



The shop down the street is aggressively marketing a rose special. How should you compete?

Whatever you do, don't price your roses at the same level. Price

them higher. Price them lower. Just don't price them the same.

The problem with matching price is that it tells consumers there is no difference between you and the other guy. That kind of statement doesn't put you in a very strong competitive position. You have given the public no reason to buy from you.

A higher or lower price allows you to find your own niche, to differentiate your shop and your offerings from those of your competitor.

The higher price says that you have higher-quality flowers or better service than your competitor. Their price may be lower, but your value is higher. Customers who want the best will come to you because you're offering something better.

A lower price seeks a different niche. You are competing head-to-head on price. You have the same flowers for less. Price-sensitive customers will come to you.

Choose the niche that best fits with your shop and its image. And make sure you have a plan. An inconsistent pricing strategy will send mixed signals to the marketplace. Customers won't know what to think about—or expect from—you.

Clear pricing practices will help define what you're all about.

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On the cover: Teleflora's
Trick & Treat Bouquet



Pricing is one topic that is sure to get the attention of florists. There are so many questions about how much to charge for your products and services.

Few owners are totally comfortable with their pricing practices. Some suspect they aren't charging enough. Others fear they are pricing themselves out of the market.

As you set your policy, remember that there is no single "correct" pricing formula that applies to all florists. What you charge is up to you. You must decide the best price for your products.

The nature of your business and the type of customers you want to attract will play a big role here. How can you cover your costs, make a profit and still be competitive enough to attract those customers?

Even though you ultimately must decide what to charge, a little industry knowledge is helpful. How do other florists mark up their fresh product, containers and supplies? And what do they charge for labor?

MARKUPS

Historically, most non-floral retailers have used a "keystone" markup. The retailer sells products for double their cost.

This isn't universal. Discount outlets use a smaller markup. Specialty stores often charge much more. But a 2x markup is the most widely followed pricing pattern among other retailers.

Florists may use a keystone markup on hard goods such as containers and supplies. But fresh product usually gets a larger multiple.

In the past, typical shops applied a 3x to 4x markup on all fresh product. Today's pricing often is more compli-

cated: different markups on serviced products (such as arrangements) and non-serviced products (such as loose flowers). However, in almost every case, all fresh-product markups are higher than the markups of non-floral retailers.

How do florists get away with it?

UNIQUE FACTORS

Floral pricing is different for several reasons.

First, the product is fragile and perishable. There is always some shrink—the loss of product before it is sold. So, the retail price has to help the shop recoup those costs.

Second, and more importantly, the florist adds labor to create the finished product.

Other retailers simply buy and resell finished products. The price the retailer pays already includes the manufacturing labor costs.

A florist, on the other hand, buys raw products and then assembles them to manufacture the final product. Your retail price must cover the cost of the labor the shop puts into the arrangement. A 2x markup is just not enough.

Since labor depends on the amount of product in the arrangement, it seems logical to cover this cost by increasing the markup. As more product is used, the "built-in" labor charge automatically rises.

But wait a minute. Most florists add an extra labor charge on top of their 3x or 4x markup. Shouldn't a healthy markup already include enough of a cushion to cover the labor?

Good question.

In the 1970s, few florists added a labor charge on top of their normal product markup. What's different now?

Either today's retail florists are ripping off the customer or something has changed. Which is it?

CHANGING PLAYING FIELD

No, customers are not being ripped off today.

Labor costs have increased dramatically during the past 40 years. Wholesale product costs have not. In fact, flower prices have fallen in absolute terms because production has outstripped demand—in spite of increasing consumer demand.

What's more, this trend is likely to continue. More and more countries are getting into flower production. Wholesale flower prices should continue to lag behind the rate of inflation.

Applying the "same old multiple" to slowly rising wholesale prices just isn't enough to cover rapidly increasing labor costs. As a result, additional labor charges will continue to be the norm.

WHERE TO START

Although increasing your labor charge would cover escalating wage costs, that's not the place to start. Begin by checking whether the shop has been following its stated pricing formula.

Take a florist who claims to be using a 2x markup on the container and supplies and a 3.5x markup on fresh product. Mathematically, this formula (without a labor charge) yields a 32% cost of goods sold (COGS) on arrangements with a utility container and an average amount of supplies.

If this florist is not making a profit, she could add a labor charge. However, she would be better advised to first see how closely her designers are

following the shop's current pricing formulas.

If a review shows that actual COGS is closer to 38% or 40%, adding a labor charge of 20% (of retail) would (mathematically) bring COGS down to 32%.

But enforcing the present pricing formula will do the same thing without increasing the shop's prices.

PRACTICAL GUIDELINES

Most florists today charge a 20% labor charge (of retail). Then they subtract a 6% supply cost. What's left is 74% for the container and fresh product. Typically, florists double the cost of the container and mark up fresh product 3.5x.

Applying the "same old multiple" to slowly rising wholesale prices just isn't enough to cover rapidly increasing labor costs.

Subtracting the retail price of a utility container usually leaves 64% of the retail price available for fresh product: flowers and greens. If followed accurately, your COGS for supplies, container, flowers and greens will come in at 27%.

That's a very profitable target. The most important part to watch is flowers and greens. That's where stuffing can occur. You should never spend more than 25% of the retail price of the arrangement for flowers and greens. 🌿



Firing an Employee: IMAGINE THIS



Sally had worked for Joanne at The Flower Cart for nearly 15 years—the last 10, as head designer. Part of her job was to buy the fresh product for the shop. Unfortunately, in recent months Joanne had noticed a dramatic slide in the quality of Sally’s work.

Sally seemed to have lost the freshness in design that was a Flower Cart tradition. Customers and co-workers also complained about her attitude. Joanne confronted Sally about the problems on several occasions, all to no avail.

The final straw came when Sally threw a few curse words Joanne’s way in the presence of a customer.

After apologizing to the customer, Joanne told Sally privately that she was being let go. Sally glared at Joanne before stalking out the door.

The encounter was bad enough, but what happened the following Monday was even worse. An invoice from Joanne’s wholesaler arrived in the mail.

Apparently, on the day after her dismissal, Sally had made a big purchase “for The Flower Cart,” including many special-order plants and flowers. None of the flowers were in the shop. Sally had them shipped directly to her.

Joanne immediately called Sally. The phone was disconnected. It was looking like Sally set up the purchase just to get revenge.

called “employment at will.” This simply means that either party may terminate the employment relationship at any time, for any reason or for no reason at all.

If the employment-at-will doctrine were absolute, no employee could ever successfully sue for wrongful discharge. However, all states now limit an employer’s right to terminate an employee to one degree or another. The exceptions generally fall into one of three categories.

- **Contract.** If an employer expressly or implicitly promises continued employment, a court likely will enforce that promise. Any discharge would have to be based on a showing of reasonable cause.

Whenever there is an employment contract, the employer must act in good faith in the way it retains and terminates employees.

- **Public Policy.** Occasionally, a dismissal is so contrary to public policy that it will not be allowed. Examples: Firing someone for their race, sex or religion. Or because the employee ...

- Has different political views than his/her boss
- Missed work to serve on a jury
- Has a handicap that doesn’t affect job performance.

effect, had appointed Sally as her agent. Three or four times a week, Sally called in an order for The Flower Cart.

Even though Sally had been dismissed, Joanne never told the wholesaler that Sally no longer was her agent. Without that notice, the wholesaler was perfectly reasonable in accepting Sally’s order for the shop.

The result? Fairness, and the law, will most likely require that The Flower Cart, not the wholesaler, cover the loss.

2. Wrongful Discharge

Historically, the employer-employee relationship was founded on a principle

- **Fairness.** Some extremely protective states impose a duty of good faith and fair dealing in the employer-employee relationship.

Whether there is a contract or not, these states require a showing of good cause whenever an employee is fired.

An employer’s slanderous or libelous comments at the time of a dismissal (for example, unfairly tagging the terminated employee as a thief or liar) might also invite the attention of the courts.

3. Unemployment Insurance

When you fire someone, you can expect an increase in your unemployment insurance rates.

Unemployment insurance rates are “experience based.” Companies with greater unemployment claims pay more into the insurance fund. Depending on the state, the rates can be as low as 0.2% or as high as 8% of payroll. That’s a big difference.

With a small business (like a retail florist), even one unemployment claim can send the shop’s rates soaring for years.

THE PROCESS

Should Joanne have kept Sally on board, despite the growing problems? Of course not. Every business owner encounters occasions when an employee must be dismissed. Sally’s gross deviation from the shop’s standards probably did deserve termination.

Firing someone is always risky. But a few basic precautions can lower the risk.

When You Hire

The first steps come at the front end of the employment relationship.

When you hire someone, avoid even the appearance of an employment contract. A contract doesn’t have to be a formal document with a gold seal. A letter offering the job, the employee handbook, even casual conversation can contain an unintentional promise of continued employment.

To protect yourself, avoid calling the job a “permanent” position. Even a sentence like “We look forward to a long and profitable association” may

be suspect. Be careful. Watch your language.

In fact, include affirmative statements that can help you later on. Specifically reserve your right to fire the employee at any time for any reason. Have each employee sign a form indicating his or her understanding and acceptance of this condition of employment.

What else can you do?

- Thorough pre-employment screening can weed out many potential problems.
- Careful skills analysis will help you match the right person to the right job.
- Reasonable compensation practices will ensure that you attract and keep quality people.

During Employment

The way you conduct employment relationships can help or hinder your ability to fire workers.

Conduct regular and honest performance appraisals. When there are problems, say so. Document your concerns.

Fairness dictates that employees should be given an opportunity to fix most inadequacies. The final disciplinary step should be a written notice that failure to improve will lead to dismissal.

And have employees sign a copy of their appraisals and warnings. This will verify that they received adequate notice.

Of course, extreme behaviors can and should lead to immediate termination. For example, a bookkeeper who is caught stealing cash. However, even in those cases, you’ll be in a better position if you have informed your staff that you reserve the right to take such action.

All states now limit an employer’s right to terminate an employee to one degree or another.

PROBLEMS GONE?

Any time you dismiss an employee, you can expect tension. The human element guarantees it. A shop with the tightest employment practices imaginable might still be sued by a disgruntled former employee.

Don’t concern yourself with the elements you can’t control. Focus instead on the factors you can control. 🌸

When the Time Comes

After you’ve exhausted all other possibilities—when you absolutely must fire someone—how do you do it?

Quickly

Dragging out an inevitable termination doesn’t do the shop or the individual any good. When you know it has to be done, do it.

With Sensitivity

Whenever people’s feelings, ego and sense of self-worth are involved, it’s wise to tread carefully.

The fact that someone is not suited for a particular job says nothing about his or her intelligence or worth. There’s no reason to attack people for who they are.

There’s also a business reason for treading gently. Being fired is upsetting

enough. You don’t want to add insult to injury to give the person a reason to try to get even with you or the shop. If he/she wants to disagree or vent some steam in your office, let him/her.

If outside parties need to be notified, do so immediately. Let vendors know that the person is no longer your agent. You may avoid the dilemma Joanne faced at the beginning of this article.

If the terminated employee is working with key customers, you also should let them know who their new shop contact will be.

Finally, never tell others why an employee has been terminated. Discussing the reasons could open you up to a claim of slander. Just state that the person is no longer with you. Nothing more.



Entrepreneurial Challenges

Would-be entrepreneurs face many obstacles.

NAYSAYERS

The first obstacle is all the people who say you won't succeed. If the naysayers get you down, you'll never make it.

Three years ago, for example, Bill decided to start his own flower shop. Before taking the plunge, he sought the counsel of respected friends, family and former colleagues. He wanted all the advice he could get.

To his surprise, the most common piece of advice was "Don't do it."

Bill appreciated the warnings. But they didn't dissuade him. Soon he was operating his own retail flower shop.

As soon as he opened his shop's doors, he began to see why his advisors had been so cautious.

Every day brought new challenges. The dangers, he soon found out, were real.

Still, Bill was determined to be successful. Three years after opening, the shop was consistently turning a profit—while other competitors had come and gone.

A CROWDED FIELD

More people than ever before want to start a business today. It's a sign of the times.

The COVID pandemic brought layoffs to many companies. Hundreds of thousands of people were put out of work. They had to find a new source of income.

Other employees who were forced into working remotely decided they

didn't want to go back when their old offices reopened.

Whether by necessity or choice, many of these workers began thinking about going out on their own.

WHY A FLOWER SHOP?

The retail flower business has one particular attraction for entrepreneurs: It doesn't take much money to open a shop. There is a low barrier to entry.

Smart phones, computers and company websites can make a small business as efficient as a large one.

If you have been in business for more than five years, you have proven your management skills and staying power.

There's not much to stop a novice florist from trying his/her hand.

Florists who have been in the industry for a while are used to competition. There are always new shops entering the market. And other non-floral retailers fight hard for the dollars that automatically went toward flower purchases in years past.

TIMES ARE CHANGING

Although layoffs and recessions have always pushed people toward starting their own businesses, there are some distinct differences this time.

Many of the pandemic-related layoffs came from the white-collar ranks. That means today's entrepreneurs are well educated, with solid qualifications and experience.

Economists and business consultants say the results will be noticeable. The emerging entrepreneurial companies will tend to have owners who are more adept in management. They may bring greater efficiency and productivity to their chosen industries. And they will market aggressively against more established competitors.

YOU CAN COMPETE!

For florists who already are in business, the good news is that you have an advantage—the advantage of already being here.

You have strengths to build on:

- Established customers
- A brand name in the marketplace
- Real-life experience

All are strengths the newcomers wish they had and are trying to gain.

You can win the battle. The key is keeping profitability up. Only profitable shops will have the resources to compete and stay in business.

Granted, there are no guarantees. New or old, big or small, any business can fail. And many do. In fact, most small businesses fail before they complete five years of operation. Usually, poor management is the reason.

However, if you have been in business for more than five years, you have proven your management skills and staying power. If you continue to learn, improve and build on your strengths, you should be on solid ground. 🌱

Entrepreneurial Skills

Not everyone is cut from entrepreneurial cloth.

In fact, most people are not. They work better as part of a team—someone else's team. They are natural followers, not leaders.

So, before launching your own business, the first step is to take a long, hard look at your personality and skills.

Running a business requires drive and perseverance. You have to be able to keep going when things are rough.

A business owner must be resourceful. Solutions are not always easy to find. A small flower shop won't have the resources of a mega-corporation with hundreds of employees. Often the owner (you!) will be the only one with the time, skills or interest to complete an important task.

Plus, you need to be creative in more than floral design. Creativity extends to all parts of a small business. It's a matter of finding flexible solutions for managing the people and the processes that will make you successful.

FLORAL BUSINESS SKILLS

Running a successful flower shop requires at least four key skills:

1. Technique (design)
2. Marketing
3. Management
4. Finance

A large floral business can have specialists in each area. A small shop cannot. Often, all of the major responsibilities are in the owner's job description.

Not equally adept in all four areas? Don't fret.

If **design** isn't your forte, hire a good lead designer or design manager.

Articles, seminars and experience can quickly bring you up to speed on the **marketing** side. A good class in website design and email marketing

would give the greatest payoff for the money and effort.

Managing people and business processes takes good interpersonal skills. And a great deal of organization. Fortunately, you also can find a lot of help in this area.

Finance is the most difficult part of running a flower shop. Few owners have the time or motivation to get a handle on financial controls.

That's understandable. Finance is not typically a big part of a small business owner's background. You almost certainly will need help in this area—maybe from your CPA. And you will need the discipline to learn the financial basics. For example, read *Floral Finance* each month.

Finally, you'll need a good business plan. One that provides answers to

common-sense questions. Questions we all know but rarely take the time to sit down and answer.

IT'S A GREAT LIFE

Operating your own business is more difficult than working for someone else. However, that's not the point. Entrepreneurs don't go into business because they think it will be easy.

Quite the opposite.

They want the personal challenge. A mountain to climb. The freedom and responsibility to call their own shots.

Ask any successful entrepreneur: Are they satisfied? Most wouldn't trade their situation for an 8-to-5 job working for someone else. The internal and external rewards can be enormous.

What's your choice? 🌸

COMMON QUESTIONS ANSWERED IN A BUSINESS PLAN

The Market

- What is your product or service?
- Who is your competition?
- Who are your customers (age, income level, gender, spending habits)?
- What will set you apart from your competition?
- How will your customers find out about your products and services?
- How much and how often do you expect your customers to buy?

Operations

- Who will be on your staff?
- How will you divide the workload?
- What are your financial requirements and targets (usually answered by a budget)?
- How big do you want your business to be?
- How fast do you want to grow?
- Where will you buy your products?
- How will you price your products?
- Where is your present location?
- Where would your ideal location be?
- Who will produce your financial information?



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INQUIRIES & ANSWERS Letters

TO CHARGE OR NOT TO CHARGE

*"We don't charge for deliveries to funeral homes or hospitals.
Is this the best strategy?"*

When in doubt, charge.

Florists rationalize a no-charge policy for hospitals and funeral homes in two ways.

First, with several deliveries going to the same place at the same time, the cost per delivery is lower. Hence, it doesn't cost much to provide the service for free.

Second, competition. They either want to be ahead of the competition or match another shop's decision not to charge for these deliveries.

But think about the other side.

On average, a typical local delivery costs \$6 to \$7. In other words, delivery is expensive. It also is the most important service you offer. It only makes sense that you should make money on your most important service.

When you charge for multiple deliveries to the same location, you'll make a little more than you do on a typical solo delivery. That will help offset expensive solo deliveries that require extra driving or an extra trip.

Few customers select florists based on whether they charge for delivery. Most expect a delivery charge.

TELEPHONE WOES

"How can I keep my telephone costs down?"

Good question.

Not too long ago, phone expenses involved a low monthly landline fee and long-distance charges. That's all. For the most part, the total cost was reasonable.

Mobile phones have changed the game. If you have multiple devices and keep your old landline, your total phone charges could be well above what you used to pay.

To reduce costs, many individuals and families are now "mobile-only." They eliminated their landlines and rely exclusively on their mobile phones.

Constantly review your cellular service charges. Watch for special promotions. Family plans can help keep costs down. Reduce the number of business cell phones. For worldwide calling, try Skype. It's virtually free since it uses the internet.

NORMS

HOLIDAY SEASON



This is the number of days between Thanksgiving and Christmas in 2022.

Some years, the holiday season is as much as 32 days long; others, as little as 26. The 2022 season allows one more day of holiday sales than 2021.

To develop your holiday staffing plan, review past holiday sales trends. Then, staff accordingly for each day between the two holidays.

To be as precise as possible, base this year's staffing plan on last year's daily holiday sales totals. Just be sure you use the day of the week—not the date—until December 22. From then on, go by date.

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