



FINANCIAL INFORMATION,
EDUCATION AND CONTROL
FOR THE RETAIL FLORIST

Floral[®] Finance

teleflora[®]

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QUICKTAKES

*Ideas You Can Put
to Work Immediately*

1 Manage Your Problems

Problems usually don't go away by themselves. Especially people problems. Employees who cause trouble rarely even realize it. They have a different perspective.

You must proactively manage these situations. Don't let things slide. It's better to have an uncomfortable conversation now than trouble for months or years.

2 When to Micromanage

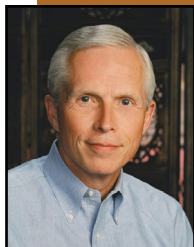
Business experts often say, "Don't micromanage." In most cases, that's good advice. In the design room, though, it isn't. You must count all elements in arrangements.

To make money, you must follow your pricing formula. Only micromanaging by counting can ensure that your designs are as profitable as they are beautiful.

3 Communication Business

Besides being in the flower business, you're in the communication business. You share your expectations with employees, explain the value of your products and services to customers, and communicate the sentiment each sender of an arrangement wants to convey. Make sure your communication is clear in all directions.

RAISE YOUR PRICES



The shop down the street just started aggressively marketing a rose special. How should you respond? 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.

An identical price essentially conveys that there is no difference between you and the other shop. That doesn't put you in a strong competitive position.

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

The higher price communicates that you are offering better quality or service. The other shop's price may be lower, but your value is greater. The customer who wants the best will come to you.

A lower price obviously seeks a different niche. You are competing on price. Customers can get the same flowers for less from you. Why buy elsewhere and pay more?

Choose the niche with which you are most comfortable. The one that fits best with your shop's image. And make sure you have a plan. An inconsistent pricing strategy will send mixed signals to the marketplace.

Give the public a reason to buy from you. Adopt clear, well-reasoned pricing practices that define what you're all about.

A stylized, handwritten signature of Paul Goodman in black ink.

Paul Goodman
Editor

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Contribution Requests

Parameters for Decision-Making



As a florist, being aware of all the charitable organizations and events in your area puts you in a knowledgeable position about goings-on around town. Having to deal with all the requests for assistance from charitable groups, however, can be a real challenge.

As much as you would like to help every worthy cause, the reality is that you can't give away all your flowers. Nor can you write a check to every group that needs assistance.

Sometimes you can say "yes" and sometimes you have to say "no." But when? How much can you afford to donate? Should you give cash or product? How do you account for donations?

THE BUDGET

A good place to start is with a contribution budget.

A budget will allow you the freedom to give without guilt. You won't have to worry about whether you really can afford a contribution. If you're within the budget and the group meets your charitable guidelines, there's no problem.

A budget also will put some constraints on your generosity. It defines how far you can go. It keeps kindhearted owners from giving away too much.

A good contribution budget has two parts: cash contributions and product donations.

Cash Contributions

In some instances, you will write a check to a charitable group without expecting anything in return. They want a donation, and you're willing to oblige.

The absolute maximum for cash contributions should be 10% of the shop's anticipated net income. The tax laws won't allow you to deduct charitable contributions above that.

Many shops, of course, won't even come close to this level of giving. Don't do more than you can afford. Pick a number you can live with.

Product Donations

The second type of contribution is a bit different. It's when you give flowers to a charitable group in return for a little publicity. The shop gets credit in a program or on a sign. Perhaps your name, phone number, URL

and address are announced during the event to encourage attendees to buy from you.

These product donations are really more like advertising expenses and can be treated accordingly in your accounting system.



In fact, the bulk of your contributions should probably be in the form of product, not cash. A \$20 check you write is worth \$20 to the charity. But a \$40 arrangement gives them a better value at about the same cost to you. (Your labor cost and cost of goods sold on the \$40 arrangement would probably be close to 50% of the retail price.)

Plus, when you give away flowers in return for publicity, you aren't subject to the ceiling on charitable contributions. You'll be entering them into your accounting system as an advertising expense, not as a charitable contribution. And you can deduct all reasonable advertising expenses.

Determine your budget for cash and product donations early in the year. Spend or give every dollar you have allocated in each category. When you reach your limit, stop.

CHARITABLE GUIDELINES

Gathering some basic information will help you evaluate each request fairly. Use a standard application form for all charitable requests. Some of the information gathered might include:

- The name and nature of the organization;
- Contact person's information;
- Whether the group or its leaders are currently customers of the shop;
- What the request is for—cash or product and, if product, details about the request;

- What publicity, if any, will be given to the shop in exchange for the contribution.

If you are considering a true charitable contribution (not a product donation that you will deduct as an advertising expense), confirming the group's non-profit status is essential. For a charitable contribution to be deductible, the group must be approved by the Internal Revenue Service.

Churches, universities and other well-known charities aren't the big concern. The challenge is off-beat organizations with which you are not as familiar.

Is a gift to a small civic group that's planting some trees a deductible charitable contribution? If there is any question at all, ask to see a copy of the group's IRS Determination Letter. If the group can't produce one, don't make a donation unless it can be considered an advertising expense.

The Positives

Determine the criteria you will use to evaluate applications beforehand. Set your priorities. Then give accordingly.

Your criteria ought to reflect your personal charitable goals and the kinds of groups you would like to help. Maybe churches. Or educational organizations. Or social service agencies. The choice is yours.



Just as important is where the groups are located. You may want to direct the bulk of your aid to charities working in your part of town.

Many shop owners also will want to give preference to the causes their customers support. Help those who are helping you.

Follow your heart. Just make certain the application form requests enough

information for you to identify the groups that meet your criteria.

The Negatives

Establishing your budget and giving criteria in advance has another benefit. It makes saying "no" much easier.

You can tell the losing applicants with complete honesty why you can't meet their requests. If you have already used your entire budget for the year, say so.

Same thing if you are focusing your efforts on a different kind of organization: "I'm sure your group is doing great work for our schools, but this year we are concentrating our charitable giving on organizations that work with the elderly."

If your decision is logically made and honestly communicated, most people will understand.

Other Considerations

Another question: Is it better to make lots of small gifts or a smaller number of big ones?

You might assume that the more events you are a part of, the more visibility the shop will gain. While there is some truth to that idea, be careful not to take this to the extreme.

If your contributions are too small, your impact at each event will be diluted. You will disappear in the sea of other "small-dollar donors." A few well-placed, substantial gifts may stand out more, do more good and give your shop better exposure.

Base the size of each gift on how well the group meets your priorities. Don't give big gifts to an organization that just barely meets your standards. Save your biggest contributions for groups whose work is at the top of your priority list.

That will mean outright rejection of some requests. For others, you may choose to help but not to the degree the applicant had hoped. If they want 10 arrangements but you can justify only two or three, stick to your guns.

Whatever decision you reach, treat all applicants with respect. Even if you can't fund their requests. It's the right thing to do. And besides, you never know when these people are going to need a florist for some other purpose. If you're kind, they may still reward you with their business. 🍀

Evaluating Advertising

Making
Your
Investment
Pay



Super Bowl Sunday. It's a tense day for the players and coaches. And an anxious time for the fans. Everyone knows one of the teams has to walk away a loser.

But no one connected with the game can be as tense as the fourth-quarter advertisers. At \$500,000 or \$1,000,000 (or more!) for 30 seconds of airtime, they have gambled big, big money.

If the game is close, the expense will be worth every penny as millions upon millions of fans huddle around their TV sets.

However, if the game is a blowout, the viewers will drop like flies as the game goes on. The legion of consumers the advertisers had hoped to reach will be too busy socializing—with the game long forgotten.

DOLLARS AND SENSE

You may never bet \$500,000+ on a TV spot, but whatever you spend on advertising is a lot of money to your shop.

And all advertising is risky. Decisions on when and how to promote the business are very different from other expenses you incur.

When you buy a design table, for instance, you can see exactly what you're buying before you get it. It's easy to evaluate whether the work surface is big enough and how well it will fit in the space. In short, you know if the table is going to work before you write the check.

Advertising is another story. Results are never guaranteed.

It can take months before you see how wisely you spent your money. All things considered, it's a very difficult expense to evaluate.

Step One: Track Ad Dollars

Evaluating the success of your advertising begins with an accounting of what you're currently spending.



Lost Opportunity

Understanding the reason for your "near misses"—sales that weren't quite closed—is important.

You may have an ad that generates lots of leads and inquiries. But few materialize into orders. If you don't track all the responses, you might be tempted to write off the ad. That would be a mistake.

Something is obviously working. The ad is getting people to call. You might have a great hook but a bad offer. By slightly changing the product or price, you could turn an apparent loser into a big winner.

Add it all up. Newspaper ads. Yellow Pages. Direct mail. Maybe radio or television. Billboards. Website. All are direct advertising expenditures.

Next, look for the indirect ways you promote your business. Window displays. Design seminars. If you are paying a premium rental rate for a location that draws business to the shop, part of your rent may be considered an advertising expense.

"Premium" retail locations come in many different forms. An office park location might qualify if you do a high volume of business with fellow tenants. Same thing with a space in a shopping center that generates walk-in sales. A shop location next to a highway, where your sign is visible, is another example.

Whenever you're paying more for a premium location, treat the extra amount as an advertising expense.

Initially, it will be impossible to

determine the effectiveness of many advertising expenses. That's okay. You still need to track them. The more information you gather, the greater the likelihood that you'll make good decisions.

Good information is an integral part of good decision-making. Ultimately, decisions made on inaccurate or inadequate information cost far more

than getting the facts straight in the first place. So, take the time to gather the data you need.

Step Two: Audit Sales

Every purchase at your shop is made for a reason.

Your best friend buys an arrangement because he knows you. The guy who works across the street uses your shop because it's convenient. The couple who placed a phone order may have responded to your ad in the local newspaper.

Some sources—Yellow Pages ads, for example—can be very expensive ways to attract business. Referrals from family, social media fans and satisfied clients, on the other hand, cost you nothing. To evaluate the worth of each advertising method, you need to know both what it cost and the volume of sales it generated.

That means each ad type needs to be identified and set apart as a separate category. As a sale is made, code it accordingly. For some orders, you will know exactly what brought the customer in. Other sales won't be so easy to categorize. Do the best job you can.

Computer software can help. But you don't need a fancy system to track your results. A piece of paper beside each phone, cash register or point-of-sale terminal can work just as well. Use separate columns for each source (Yellow Pages, newspaper ads, direct mail, Internet banner ads, etc.). Ask the employees who take orders to inquire and take note of the source of each sale. At the end of the day or week, tally the results.

Step Three: Analyze Results

Let's say you spent \$2,000 last year on sympathy ads in your newspaper. You can tie \$10,000 worth of business to those ads. That alone tells you that the effort paid for itself.

The big-picture numbers alone, however, won't reveal which promotion appealed most to your customers or which ads generated the best response. You also won't know if your ads pulled better at different times of the year.

The more you can break down the data, the more insight you'll gain.

Segment sales by specific product or promotion, not just overall categories. It's more important to know the response to your October 24th ad than the response to all your ads throughout the year.

A good breakdown might look something like this:

SOURCE	AD COST	SALES
July 4 Promotion	\$ 250	\$1,500
Design Seminar	\$ 100	\$ 150
Billboard	\$ 750	\$ 500
Back-to-College Mailing	\$ 200	\$4,000

The extra detail will make it easy to compare the results of various advertising efforts. You might determine that some advertising dollars should be reallocated. The billboard in the above example, for example, raises some questions. Maybe try an even bigger back-to-college mailing next year or introduce social media promotions into your mix.

Shrewd investment of advertising dollars will increase your profitability. And that, in turn, will increase the money available to you for future

advertising. Effective advertising builds on itself.

THE TRICKY PART

Some results are difficult to measure.

Take the billboard promotion mentioned here. You show you got back less than what you spent. Clearly, it was a loser. Or was it?

Although you might have been able to tie only \$500 in sales directly to the billboard, there's no telling how much goodwill it generated with existing customers or how much visibility you gained with new prospects.

A gray area such as this will require a judgment call. Make your best guess about the effectiveness of the expense with the information at hand and then move on.

JUST NUMBERS?

If the results vary substantially from your expectations, investigate the figures. You may have made a mistake in the numbers. Or some of the promotions may have required a longer lead time than you expected for the payoff. If you wait a little longer, the "bad surprises" may disappear.

No advertising plan should be made entirely on numbers. But every decision must have its roots in solid data.

The advertising audit gives concrete facts that can help you draw reasonable conclusions. 🌱



Image and Traffic

While the vast majority of your advertising should pay for itself directly, sometimes you will have a different goal—advertising for image, not to promote a particular product.

Suppose you've tried to convince the local symphony to use you for their functions throughout the year. Part of your strategy to get a foot in the door might be to take out an ad in their program. This expenditure is not likely to generate any specific orders. But it could boost your shop in the eyes of the symphony board. If you get a call later in the year for the symphony banquet, you'll be quite satisfied.

Advertising that builds traffic for the shop also can be money well spent. With this strategy, you promote products that have a low profit margin but serve as a good introductory purchase for new clients.

Advertise a \$9.95 mini-bouquet for in-store pickup. You'll probably generate interest and orders. But after you deduct your advertising costs, there won't be much, if any, profit left.

Was it a bad promotion? Not necessarily. If the effort attracted customers who will bring profitable business to the shop in the future and the ad itself at least broke even, it was a good move. If, however, the ad only brought in one-time bargain hunters, the promotion was not a very successful one.

ENTREPRENEURS TODAY



Pitfalls, Shortcomings and Strengths

Would-be entrepreneurs face many obstacles. The first is likely to be all of the people who tell them they won't succeed. If the naysayers get you down, you'll never make it.

Three years ago, for example, Abby decided to start her own flower shop. Before taking the plunge, she sought the counsel of people she knew and respected.

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

Abby appreciated the warnings. But they didn't dissuade her. Soon she was operating her own retail flower shop. The first day she opened the doors, she began to see why her friends had been so cautious.

As an entrepreneur, she was constantly challenged. The dangers were real.

Still, Abby was determined to be successful. Three years after opening, her shop was consistently turning a nice profit.

A CROWDED FIELD

More people than ever before want to start a business today. This really is a sign of the times.

The recent recession brought layoffs

to many large companies. Hundreds of thousands of people were put out of work. Many began thinking about going out on their own.

What motivates someone to consider the entrepreneurial life? It could be the inability to get a good job. Or adoption of the view that maybe "the grass will be greener" as a business owner. Or a search for freedom and independence. Or maybe a combination of all these (and other) factors.

The retail flower business is particularly attractive to many hopeful entrepreneurs. Largely because it doesn't take much money to open a shop. Economists would say this industry has a "low barrier to entry."

Capital investments are relatively small. Websites, cell phones and other technologies can make a small shop as efficient as a large one in some regards.

CHANGING TIMES

Florists who have been in the industry for a while are used to competition. But things are different today. Not only are new shops coming into the marketplace, but other specialty retailers also are fighting hard for the dollars that automatically went toward floral purchases in years past.

And although layoffs and recessions have always pushed people toward starting businesses, today's entrepreneurs are better educated, more highly skilled and more qualified than ever before.

Economists and business consultants say the results of this trend will be noticeable. New entrepreneurial companies will tend to have owners who are more adept in management.

They may bring more efficient, more productive operations into their chosen industries. And they will use aggressive marketing techniques against more established competitors.

YOU CAN COMPETE

For the florist who is already in business, the good news is that you have a big advantage—the advantage of already being here.

That fact alone gives you strength to build on. A

recognized name in the marketplace. Existing customers. Real-life experience. These are all things the newcomers wish they had and are trying to gain.

If an existing florist is doing a good job of servicing customers, it will be difficult, if not impossible, for a new competitor to take them away.

As long as experienced retailers build on their strengths, adapt when necessary and keep their profitability up, they can win the battle. Only profitable shops will have the resources to compete and stay in business.

NO GUARANTEES

There are no guarantees for any shop. New or old, big or small, any business can fail.

And many do. In fact, a large majority of small businesses fail before they complete five years of operation. Usually, poor management is the reason.

While there are no guarantees, if you have been in business for more than five years, you have proven your management skills and staying power. You should be on fairly solid ground. 🌸

**NEW
ENTREPRENEURIAL
COMPANIES WILL TEND
TO HAVE OWNERS WHO
ARE MORE ADEPT IN
MANAGEMENT.**

FAMOUS FINANCIAL WORDS

"The best entrepreneurs I've ever met are all good communicators. It's perhaps one of the very few unifying factors."

—Tim Ferriss

ENTREPRENEURIAL INCLINATIONS: EVALUATING YOUR SKILLS AND RESOURCES

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 striking out as an entrepreneur, the first step is to take a long, hard look at your personality. Running your own business requires drive and perseverance. You have to be able to keep going when things are rough.

A small business owner must be resourceful. Solutions are not always easy to find. You don't have the resources of a large company with hundreds of employees. Often,

the owner of a small business is the only one with the time, skills or interest to complete an important task.

Plus, as a small business owner, you have to be creative. Not just in floral design. The significance of creativity extends to all parts of running a small business—including managing people and systems.

BUSINESS SKILLS

A successful flower business requires skills in at least four key areas: technique (design), marketing, management and finance.

A large retail flower business can have specialists in each area. A small shop cannot. All of the major responsibilities are often concentrated into the owner's job description.

If you aren't equally adept in all four areas, don't fret. You just need to evaluate your strengths and weaknesses to determine where you'll need assistance.

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

Articles, seminars and experience

If you are in this situation, you will need to get help—maybe from your CPA. And, you will need to discipline yourself to learn the financial side of the business. (For example: Read and absorb *Floral Finance* each month!)

Finally, you'll need a good business plan. One that provides answers to commonsense questions. Questions you probably know but may not have taken the time to sit down and answer. (See the box to the left.)

THE BUSINESS PLAN: QUESTIONS AND ANSWERS

The Market

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

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 provide your financial information?

can bring you up to speed pretty quickly on the **marketing** side. A class in website design and email marketing would probably produce a great payoff for the time and money invested.

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

Finances are often the most difficult part of running a flower shop. Few owners have the time or training to get a handle on financial controls. That's understandable. Finance is not typically a big part of most flower shop owners' backgrounds.

SATISFACTION

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 are looking for the easy way out.

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

Ask any successful entrepreneur: "Are you satisfied?" Most wouldn't trade their situation for an 8-to-5 job working for someone else. The internal and external rewards of owning your own business can be enormous. 🌸





INQUIRIES AND ANSWERS LETTERS

TO CHARGE OR NOT TO CHARGE

"We don't charge for deliveries to funeral homes or hospitals. Is this the correct approach to take?"

When in doubt, charge.

Florists typically rationalize this kind of policy in two ways. First, they stress that because they are making several deliveries at the same time—and therefore the cost per delivery is low—offering the service for free doesn't cost much. Second, they worry about competition. They are looking to beat or at least match the delivery policies of local competitors.

Based on our most recent analysis, each delivery costs about \$5 to \$6, on average. It is a real cost—an expensive one. In addition, delivery is often the most important service you offer, and you should make money on important services.

Also, few, if any, customers select a florist by whether they have a delivery charge. People are used to delivery services charging to take a package from one place to another. They expect you to do the same with your flowers.

Take advantage of multiple deliveries to make a little extra. It will balance the times when you spend an inordinate amount of time trying to make a single delivery.

TELEPHONE WOES

"How can I keep my telephone costs down?"

Good question.

Not too long ago, people paid only a low monthly fee for their telephone service. Long-distance charges could add up to serious money. But for the most part, telephone expense was reasonable. Today, mobile phones have changed the ball game. Phone service is more expensive than ever before.

Especially if you still have your land lines. Many people now use only a mobile phone. America is "unplugging."

But eliminating your land line is not workable for a business. Constantly review what you are paying for your cellular service. Watch for new promotions. Family plans can help keep costs down. For your business, keep the number of cell phones to a manageable minimum.

And for international calls, look into Skype. It is virtually free since it uses the Internet.

There are 28 days between Thanksgiving and Christmas this year. In other years, the most we have is 32 days and the least is 26. At exactly four weeks, the 2015 Christmas sales season is one day longer than last year's season.

Based on your past experiences, staff your shop accordingly for each day between the two holidays. If you're unsure, look at sales by day in 2014 in your point-of-sale system. For the most accurate comparison, look at the day of the week (not the date) until you get to December 22, and then go by date.

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