



SATISFACTION GUARANTEED
How Important Is It? page 2

FINANCIAL INFORMATION,
EDUCATION AND CONTROL
FOR THE RETAIL FLORIST

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QuickTakes

*Ideas You Can Put
to Work Immediately*

1 Create a Learning Environment

Learning builds enthusiasm and increases productivity.

Expand your employees' learning opportunities from only formal seminars and classes. Try occasional in-house training sessions as well.

During these in-house sessions, ask your designers to share their best techniques. Have the salespeople explain what customers are asking for. Encourage the staff to learn from one another.

2 You Are the Message

You've heard the statement before, but it's worth repeating: "Your actions speak so loudly, I can't hear what you are saying."

What you do is more powerful than what you say. Check yourself. Would you like your employees to do what they see you doing?

Lead by example!

3 Not All Customers Are Alike

Your best customers deserve a little extra attention.

Your "A-list" customers are the people who buy the most—the most often—from your shop. Plan a campaign of texts, emails and mailers to "touch" these VIPs at least monthly.

They're your best customers. Treat them accordingly.

PERSPECTIVE



Human beings often take for granted that which has become normal in their lives. Cars, homes, work, vacations, television in all its forms, the internet and all the technology at work in our lives every day—all of these are amazing. But we have grown accustomed and treat them as routine.

I recently had the privilege of visiting some former classmates who are missionaries in Tanzania. Visiting a third-world country puts things into focus.

Tanzania is one of the poorest countries in the world. Nearly 70% of the population lives below the poverty line. The weak infrastructure of the country and lack of resources offer a bleak outlook.

People who are born in Tanzania do not have the freedom to leave. Their world offers little opportunity and limited options.

What a contrast to our Western culture. Most Tanzanians would envy the lifestyles of even the poorest people in North America.

How fortunate we are. And yet we rarely think of our lives this way.

The opportunities available to the average North American are unbelievable. Merely going into a Walmart superstore would astonish the average Tanzanian.

Those of us who work in the floral industry are even luckier. Our work brings joy to those we serve. How much better can it get?

The next time you're a little down, think about your blessings. A little perspective can go a long way.

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SATISFACTION GUARANTEED

How

A “satisfaction guaranteed” policy is always important. Today, when you are working so hard to rebuild your shop’s sales, it’s imperative. You can’t afford a single unhappy customer.

If unhappy customers say nothing, you’ve probably lost them forever. If they complain, you’re in luck. You have a chance to keep their business.

BEST OF A BAD SITUATION

How will you respond when a customer presents you with wilted flowers or calls to ask for a refund?

Suppose all indications are the fault is not yours. The customer left the flowers in a hot car for several hours. Clearly she was to blame.

You have three options.

1. No Action

You could choose to do nothing. Ignore the request. Tell her it’s not your fault.

You might even advertise your policy ahead of time. Tell customers that all sales are final and that you make no refunds or replacements.

This policy would be easy to administer. However, it wouldn’t be fair. Some complaints are legitimate and deserve to be heard.

Ignoring complaints is not in your best interests. If you do nothing, you will lose valuable customers. Your image will suffer.

2. Justice for All

Another option.

Establish a procedure to review and evaluate all complaints. Take whatever action seems fair in each case. The range of possible responses could be anything from giving a full replacement to taking no action at all.



Important Is It?

However, this method also has problems. It's cumbersome and, often, too confusing. Trying to gather the information necessary to evaluate each complaint will eat up valuable time.

Even if you have the time, it's usually not worth the effort. Some customers won't be satisfied with your decision. You may even be wrong. You will lose customers—even if you do what you think is fair.

3. Full Satisfaction

A third alternative: Give the customer what he wants. A full replacement or refund.

Ask enough questions to be able to offer proper care-and-handling suggestions. But don't be so inquisitive that you appear to be trying to establish blame. Apologize. Keep the customer happy.

This third alternative is the best for your business. It is the only one that ensures good customer service and makes economic sense. You may lose a little money on a few sales, but it will be well worth it in the long run.

WHY PEOPLE SHOP WHERE THEY DO

To understand why satisfaction guaranteed is the best policy for the retail florist, you need to understand the following principle: By and large, consumers' choices on where to buy are based either on their personal experiences or reports they have heard from others.

This is especially true in a highly personalized trade such as the floral business. You sell service as much as you sell product. People always will remember how they were treated.

WORD OF MOUTH

Not only do people remember, they also talk. Consumers naturally tell others when a retailer treats them particularly well ... or particularly poorly.

If the flowers were for a special occasion, the customer's dissatisfaction will be spread broadly. The number of people who hear the story relates directly to the importance of the purchase.

Most people won't stop with their family members. They also will tell their friends.

The rule used to be that unhappy customers, on average, would share their experiences with 5 to 10 others.

Not so today.

Through social media, complaints can be shared with hundreds or thousands of people very quickly.

The question is not whether you treated the customer fairly. The question is whether the customer felt your response was fair.

If you've been "fair" but the customer is still dissatisfied, you not only will lose that customer but all the potential customers who hear about the experience.

Those people won't ask for your side of the story. They simply will stay away from your shop. You won't even know who they are.

If you do what it takes to make your customers happy, they still will talk to their friends. But the comments will be good ones. You likely will gain customers rather than lose them.

WHAT DOES IT COST?

Not much at all.

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Florists who embrace the satisfaction guaranteed rule find the cost is very low. Especially when viewed as a percentage of total sales.

Suppose the issue was a \$75 arrangement. Replacing it would only take \$20 to \$25 in materials (depending on whether you could recycle the container). You probably wouldn't have to pay for any additional labor. So, you still would come out ahead on the sale.

Consider the replacement cost as an advertising expense.

WHAT ABOUT ABUSE?

Florists who have not committed themselves to full customer satisfaction have one big worry: the fear that customers will take advantage of their good nature. They think they will end up giving unnecessary refunds.

It may happen. You undoubtedly will give refunds to customers who neglected to care for their flowers. Don't worry about it. Just let it go.

History shows that these cases are rare. The cost certainly will be less than what you will gain.

What do you do if a customer clearly and repeatedly takes advantage of your policy and abuses your guarantee?

Simple. Tell the customer you don't believe you will be able to satisfy him in the future. Ask him to buy his flowers elsewhere.

This is the sensible solution. The full customer satisfaction policy is designed to deal with the rule, not the exception. If a few people abuse the system, you don't change the system; you send the offenders away.

JUST DO IT

When a customer complains, respond quickly and clearly. Guarantee every product and service you offer. If customers are not happy, do everything you can to make them happy.

Put your satisfaction guaranteed policy in writing. Invite customers to complain. After all, you would rather have a customer who is willing to complain than one who is disappointed, never says a word and just disappears. In the latter scenario, you won't have the information you need to right the wrong. 

SALES FORECASTING & BUDGETS

Two
Vital Business
Tools

COVID-19 IMPACT

The formulas featured in this article should work well for most floral shops. Some shops' sales are down; yet many actually are seeing an increase. Because you now have 10-plus weeks of data since Mother's Day, a pattern should have emerged that will allow you to forecast accurately.

SALES FORECASTING

A good sales forecast is essential. It helps you plan your cash flow, set up your budget, plan your buying and determine your staffing requirements.

Sales forecasting normally is a fairly easy task.

Established Vs. New Business

If you are an established florist, begin with the shop's sales data from previous years. Whatever percentage change (up or down) you have been experiencing for the last couple of months is a good basis to project sales for the coming year. This is very easy if you have a point-of-sale (POS) system. Simply adjust last year's sales up or down by the current percentage.

If you are a new shop, use the representative monthly averages provided in the table to the right. However, a word of caution: A new business typically starts out slow. The revenue for your 12th month of operation may suggest \$200,000 of annual sales. However, you probably did not have

that level of sales during the first 11 months. You will have to estimate how fast your sales will grow each month.

The more you want to break down your sales, the harder the sales forecast will be for a new shop. You just won't have enough information, for example, to estimate sympathy or loose flower sales.

For the beginning florist, the best plan is probably to use the table to forecast total monthly floral sales. Here is an example.

Suppose you expect to be running at a \$50,000 annual pace by April. Since April represents 9.1% of the average retail florist's annual sales, you could project April sales of $\$4,550 (50,000 \times 0.091 = 4,550)$.

If you project your annualized sales to be \$75,000 in July, your July sales should be around \$4,200 ($75,000 \times 0.056 = 4,200$).

Once you're in business, you can divide your actual sales into categories. However, a gross sales estimate should be sufficient in the beginning.

Local Factors

Remember, the numbers below are representative averages. Some shops will need to factor in local variables. For example, if you live in Vail, Colorado, your sales will be tied to the tourist population. Mother's Day (one of the floral industry's biggest holidays) will be insignificant compared to Christmas.

For more on trends in your area, ask other local florists what they experience month by month. That will help you make a more accurate first-year forecast.

TYPICAL MONTHLY AVERAGES FOR FLORAL SALES

Month	Percent
January	6.2%
February	9.9%
March	6.8%
April	9.1%
May	12.0%
June	7.3%
July	5.6%
August	6.9%
September	7.9%
October	7.6%
November	7.5%
December	13.2%

BUDGETING

A budget is like a road map. It tells you in advance where you are going, the route you should take and how much profit you can expect if you follow the course.

It also will let you know when you may need extra staffing and when to make your product purchases.

A good budget will keep you focused on every aspect of your operation. You'll be able to use your expense-control skills to improve the results.

Although the benefits are many, few small businesses (including flower shops) have a formal budget. It seems like too much work.

Instead, they just watch their checkbook and estimate how things will go from month to month. If the bank balance looks a bit low, they try to tighten up. If they're flush with cash, they don't think twice about spending money.

The truth is that constructing a workable budget is really quite simple. All it requires is a good sales forecast and reasonable estimates of your cost of goods sold (COGS) and expenses.

The Process

A budget is a sample income statement for the upcoming year based on your best estimates.

Good records from previous years make the process easier. However, if you don't have good records or are just starting your business, you can still construct a good working budget.

If your income statement was set up properly last year, it will reflect your business' performance for each of the previous 12 months.

Expenses. Estimate how each monthly expense category will change from the previous year. Try to eliminate as many unneeded expenses as possible.

Sales. Expected monthly sales can be obtained from your sales forecast.

COGS. Base your COGS for each category on your pricing formula. For example, suppose your pricing formula for gifts is a 2x markup. Something you bought for \$5 would retail for \$10. By definition, your COGS for this item would be 50%.

To be conservative, factor shrink into your COGS budget. After all, some items will be damaged or stolen and others will be discounted. So, if your pricing

formula suggests a COGS of 50%, add 2% to 3% to account for shrink.

Do the Math. For each month, subtract total COGS from total sales to get your gross profit. Remember, the gross profit is your profit on the sales alone, not considering any expenses other than product costs.



Then, total the expenses and subtract them from the gross profit.

The answer is your net profit.
Your budget is finished.

No Records or Poor Records

If you don't have good records, the process is remarkably similar. There are two ways to do the job.

Option 1. Transfer the sales from your sales forecast to your budget. Then, fill in your anticipated COGS. Next, go from month to month estimating each expense and calculating gross profit and net profit.

Option 2. The second approach is called "zero-based budgeting." You start with the amount of money you can spend each month. Fill in your expected sales. Then, subtract your expected COGS.

The answer—your gross profit—is the amount available for expenses and net profit. You can't go over that limit. Start with your most important fixed expenses (like rent and telephone). Then, proceed to the next highest priority expense item. Continue until all the money you have available is spent.

Realistically, you probably will use some combination of the two approaches.

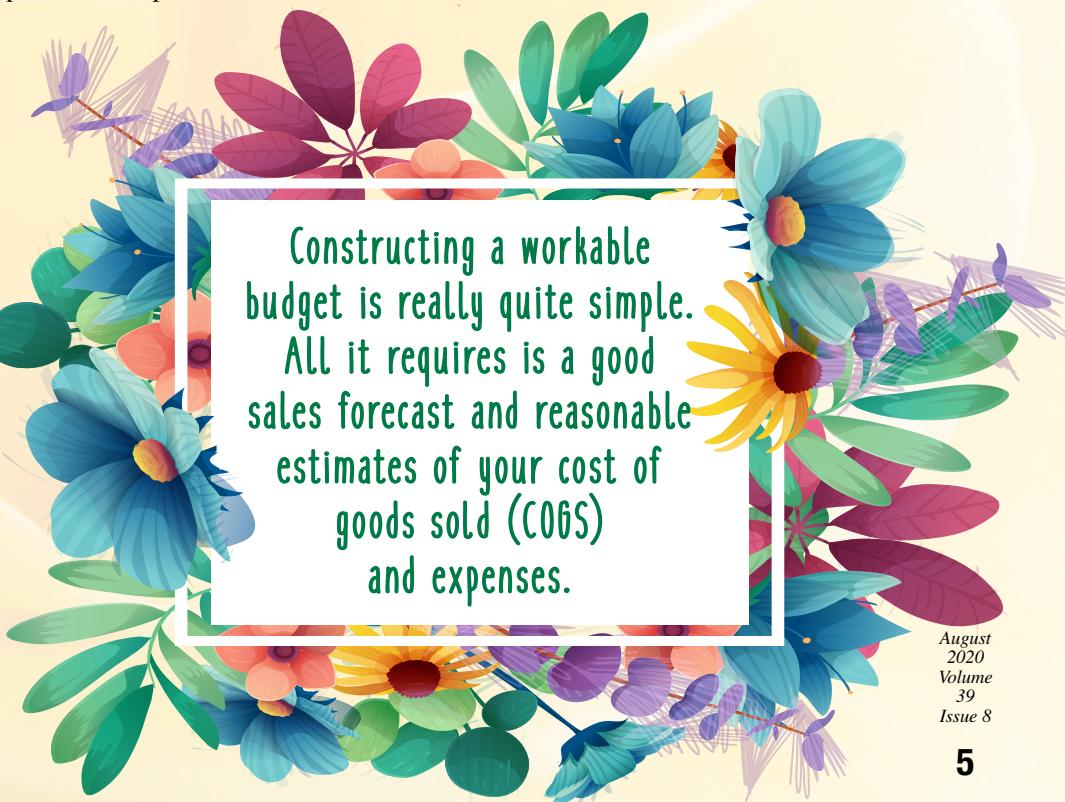
If you start with the first method, you might have to go back and cut somewhere because your expenses are too high.

If you use zero-based budgeting, you may have to make some adjustments if you can't cover all your expenses.

As each month goes by, compare your results to the budget. When the actual numbers don't match the budget, ask why. Determine the reason for every variation from your plan.

Maybe your expenses were out of control. Maybe something unexpected happened. Of course, it's also possible that the budget was unrealistic. If so, redo the budget for the remainder of the year.

Remember, the budget is a "real-world" tool, not an unrealistic wish list. ☀



Wire Order Accounting

How Not to Do It

"How do I do wire order accounting correctly?" This is one of the financial questions most frequently asked by retail florists.

At Floral Finance Business Services, we see financial statements from many retail florists who have asked us to help them become more profitable. Almost without exception, their wire order accounting is being done improperly.

The result is misleading information—information that can make you believe things that are not true.

MOST COMMON MISTAKES

See how your shop compares to this scenario.

- The business runs on a cash basis. When checks are cut, expenses are recorded. When money comes in, revenue is recognized.
- Outgoing wire orders are recorded as sales at their full value, whether a cash, credit card or house account sale.
- Incoming wire orders are not recorded because no payment is received.
- If the wire service statement says the florist owes the wire service money, the check is coded to wire service expense or cost of goods sold (COGS).
- If the wire service statement says the wire service owes the florist money, the check the shop receives is coded to miscellaneous income, wire service expense or COGS, as appropriate.

That's it. Couldn't be simpler.

WHAT'S THE BIG DEAL?

If it's so simple, why is wire order accounting such a problem?

The following are a few of the consequences arising from this kind of treatment.

Sales Are Misstated

The degree to which sales are misstated in your income statement depends upon the shop's wire order mix. If incoming and outgoing orders are roughly balanced, sales will be close to accurate.

However, if a shop sends more than it receives, sales will be overstated because outgoing wire orders are counted at 100% rather than the much smaller 20% commission the shop actually receives.



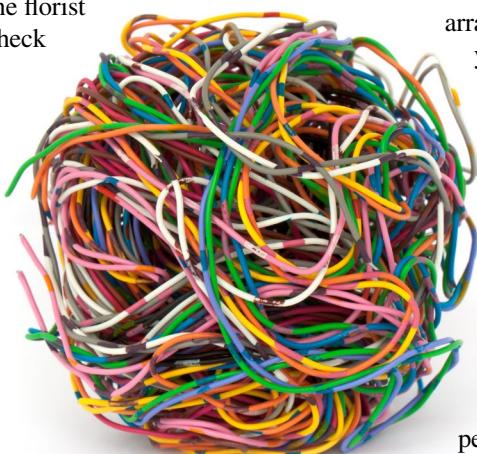
If a shop receives more orders than it sends, sales will be underreported.

COGS Is Inaccurate

If sales are overstated or understated, COGS as a percentage of sales will be inaccurate.

If your sales are too high, COGS will appear lower than it actually is. If sales are too low, then COGS will appear higher than it actually is.

Remember, controlling COGS, especially on arrangements, is essential to profitability. If your numbers are not correct, you won't know how you compare to industry standards or what you should do.



Incorrect Percentages

The problem is not limited to COGS alone. Most (or all) percentages on an income statement are derived by dividing the particular revenue or expense item by total sales.

If sales are overstated, every expense percentage will appear lower than it actually is. If sales are understated, every expense percentage will appear higher than it actually is.

COMMIT TO DOING IT RIGHT

If you want to be profitable, you need good information on your performance. You have to know how you stand against industry standards in order to identify problem areas and then take corrective action.

Proper wire order accounting is the foundation for good information.

Look at "By The Books" on the next page for the best way to do wire order accounting. Then, share both of these articles with your accountant so he/she will understand what you need. 

Wire Order Accounting

The Easiest Way

Correct wire order accounting includes three basic facets. You have to properly handle:

1. Outgoing wire order sales.
2. Incoming wire order sales.
3. The wire service statement.

Let's look at each component.

OUTGOING WIRE ORDER SALES

1. Set up a separate non-product sales category for wire out commissions. You also will need a separate account for service charges on outgoing wire orders.
2. Ring up the gross outgoing wire order (including the delivery charge) to the wire out commissions sales category.
3. Ring up the service charge separately to its sales category.

INCOMING WIRE ORDER SALES

1. Ring up 100% of the incoming wire order delivery charge to delivery sales.
2. Ring up 100% of the incoming arrangement to arrangement sales. (If the incoming order is something other than an arrangement, ring up to the appropriate sales category.)
3. Charge the sale to your wire receivable account.

Those simple steps take care of the sales part of the transaction.

Now for the harder part.

WIRE SERVICE STATEMENT

You can't treat the wire service statement as a single item that will require either an expense debit or an income credit. Each item on the statement must be entered into its appropriate category.

If you purchased product through your wire service, expense that amount

to the appropriate cost of goods sold (COGS) account. Similarly, expense any co-op or directory advertising to advertising expense.

Dove, RTI, Eagle or Daisy expenses should be expensed to their appropriate categories.

Next come the wire order entries:

1. Debit 80% of the outgoing orders (or the combination of the gross outgoing orders minus the sender's 20% commissions) to wire out commissions.
2. For incoming orders, there are two entries. First, credit 100% of the incoming orders to your balance sheet wire receivable account. Second, debit the 27% you don't get to keep (20% sender's commission plus 7% wire service commission) to wire in commissions.

(This account follows wire out commissions in non-product sales.)

3. The final entry is to debit or credit cash, depending upon whether you received cash from the wire service or cut the wire service a check.

Enter the wire statement entries into the same accounting month the sales were made. To do so, you will have to back-date your entries to the last day of the month before you received the statement.

THAT'S IT

Straightforward, simple and, most important of all, CORRECT.

Your sales, COGS and expenses will be stated correctly. ☀

FAMOUS FINANCIAL WORDS

"Asking dumb questions is easier than correcting dumb mistakes." —Launegayer's Observation

"He who has never made a mistake has never made a discovery." —Samuel Smiles

"If you have two jobs and you're rich, you have diversified interests. If you have two jobs and you're poor, you're moonlighting." —Anonymous

INQUIRIES & ANSWERS Letters

TAX RECORDS

*"I just finished filing my 2019 tax return after taking an extension to get my records in order. What a mess! Is there an easy way to prepare for tax season?"
Certainly.*

If you're not a detail-oriented person, the last thing you need is a complicated system that is precise to the penny. However, you can easily set up a procedure that gets you 90% or more toward where you want to be at tax time. Simply get a folder. Label it "2020 Taxes." Then, throughout the year, put every tax-related document, statement and receipt in the folder.

When tax time rolls around, you'll have to sort them out, but everything will be there. If you think you might lose a folder, get one of those decorated holiday popcorn tins. Put it by your desk and drop your tax records in there. It won't get lost and neither will your records.

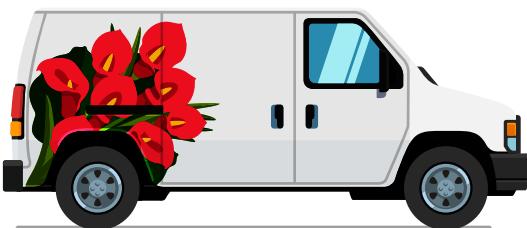
CHARITABLE CONTRIBUTION

"I want to give my old van to a charity. How much can I deduct from my taxes as a charitable contribution?"

That depends.

If you own the vehicle personally and have not depreciated it for business purposes, you can deduct the fair market value if you itemize deductions. You'll have to complete IRS form 8283, with an appraiser certifying the amount the vehicle would sell for in your market. Note: the deductible value may be different than the amount in the popular automobile guide *Kelley Blue Book*.

If the van is owned by your company and has been fully depreciated, you cannot deduct anything for tax purposes. You've already gotten your deduction. If the van hasn't been fully depreciated, you can deduct the remaining undepreciated amount—so long as it does not exceed the fair market value. Any difference usually can be written off as a loss on an asset.



NORMS

CLOSINGS & OPPORTUNITIES



The approximate percentage of U.S. flower shops that have closed is 53% since 1996, when the nation had a few more than 27,000 flower shops with a payroll. Today, the number is less than 13,000 and still declining.

Unless another shop buys the business' name, customer list and phone number, many closed shops simply disappear. Their old customers redirect their "gift" dollars to another type of vendor.

So, if you see a local shop closing, try to get their name, phone number and customer list. It will add to your sales and keep people buying flowers.

Source: *Floral Finance Business Services*

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