



Holiday Advertising
When to Spend PAGE 4

FINANCIAL INFORMATION,
EDUCATION AND CONTROL
FOR THE RETAIL FLORIST

Floral Finance®



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QUICK TAKES

**Ideas You Can Put
to Work Immediately**

1 Pat on the Back

Take the time to thank your employees who have worked hard through the non-holiday months. Recognition goes a long way toward making people feel good about their work and their work environment. Don't spare the praise. And while you're at it, add some tangible rewards as well.

2 Keep Moving

President Theodore Roosevelt said, "There has never yet been a person in our history who led a life of ease whose name is worth remembering."

Accomplishment takes work. However, the rewards are great. For yourself and for those you lead.

Although many people look forward to doing nothing in retirement, statistics show that those who aren't active often die quickly. We are designed to work and be active.

3 You Only Have Seconds

When designing any ad or promotional piece, remember that potential customers will give you only a couple of seconds to attract their attention.

You're probably the same way. How do you look at ads on news sites and in magazines? You skip by quickly. The same is true with your customers.

Make sure the messages in your promotions can be grasped in an instant.

GETTING PEOPLE TO LISTEN



If you really want people to listen to you, talk about them. Dale Carnegie said that people are most interested in themselves.

He said a good conversationalist says very little, asks a lot of questions and makes comments that relate to the other person.

How can you apply these principles in business? After all, you can't spend all your time in the shop talking about things that are unrelated to work.

You need to communicate information and directions. You also want everyone to listen carefully when you speak.

So, bridge the two. Include the word "you" as often as you can. Focus the conversation on the other individual.

For example, instead of saying, "I want to control our cost of goods sold by counting every stem," try "You are the most important element in making sure no extra flowers are put into your arrangements."

Communicating this way will get the other person to pay attention; it also will change the way you think. You will find yourself thinking more about how your words and actions impact other people.

You will begin to look at things from others' perspectives. The result will be more carefully thought-out directions that in the end will be easier to implement.

And... people will listen to you.

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Building a Profitable

7 Tips for Success

CONTROL YOUR MAJOR COSTS

To turn a decent profit, you can't skip addressing even one of the Big Three cost areas—especially when business isn't exactly booming.

What are the Big Three? Payroll, cost of goods sold (COGS) for arrangements and facilities expenses

Each has a significant impact on your bottom line.



Reduce Payroll

The lower sales most shops experience during non-holiday months are often not reflected in their staffing levels. And that's a shame. When sales slow, you simply can't afford to keep payroll constant.

THE TARGET: Payroll, including taxes and benefits and the owner/manager's salary, should be 30% of sales.

Letting employees go is never easy. But if you want your business to survive, you sometimes have to make tough decisions.

To ease the pain, consider offering valued staffers part-time status rather than simply letting them go. As business increases, you can add hours back. Or move to a permanent skeleton crew of full-timers,

rounded out with a steady cast of part-time workers who come and go as sales demand.

College students, retirees and at-home parents of school-age children are ideal sources for dependable part-timers. Many have flexible daytime schedules. They're also more likely to be looking for "pocket money" than a full-time salary with benefits.



Control COGS for Arrangements

Stuffing arrangements with extra flowers is an expensive practice. Especially when there's little money to burn.

THE TARGET: Flowers and greens should be 25% or less of arrangement sales.

The only way to manage COGS is to count all the flowers and greens that go into each arrangement. Write them down on the ticket, extend the retail price and make sure the total is in keeping with your pricing formula.

Establish recipes for your most common arrangements. Count the recipes twice to make sure you have priced them correctly. When designers follow pre-approved recipes, you'll know COGS is under control.

Business

3

Manage Facilities Expenses

The third expense in the Big Three—your facility—is equally important.

THE TARGET: No more than 10% of sales for all facilities expenses, including rent, utilities, repairs/maintenance and insurance.

Although you can't change your monthly rent without moving, you can control operating expenses like utilities.

Talk to lighting professionals or heating/cooling experts in your community to see how you can be more efficient. You might even ask your local power company to conduct an energy audit. Following the audit's recommendations could mean considerable savings throughout the year.

One word of caution on lighting: Some forms of light do not do justice to the beauty of your flowers. Make sure you have the best lighting to enhance the colors you offer.

Over the long term, many florists find they can save a lot of money and/or increase sales by moving to a different location. So, be sure to at least review your current lease and location. Always keep a long-term perspective.

4

LOCATE PROFITABILITY LEAKS

Payroll, COGS and facilities expenses are the major factors in achieving profitability. However, they're not the only ones.

As time permits, look at expenses that repeat every month, office and design supply costs, and any other areas (many will be unique to your shop) that might be draining your bottom line.

Actively solicit—and reward—penny-pinching suggestions from employees. And add a few cost-cutting steps of your own.

A little vigilance now will have a big impact for some time to come.

5

BOOST EVERYDAY BUSINESS

With the cost side of your business under control, it's time to look at the revenue side. Setting up a customer-reminder service ought to be your first priority. This is easy with today's point-of-sale (POS) systems.

Compile and maintain a list of customers' important dates—birthdays, anniversaries and the like—along with the flowers or gifts they've sent to commemorate those dates in the past.

Then, email, call, mail a postcard or text a week or two before the big day. Remind the customer what he or she sent in the past and offer suggestions about specials or new products the lucky recipient might enjoy.

It's a win-win-win situation. The customer will appreciate the reminder. The recipient will appreciate the flowers. And you'll come to appreciate the extra sales this simple practice brings to your shop.

6

USE YOUR TIME WISELY

If you have a job undone, a class untaken or a task untackled, schedule exactly when you will address each item.

Same goes for your staff. Evaluate their need for additional training at a conference, design show or a floral convention. Make plans to address those gaps in the months ahead.

Big jobs, such as reorganizing the back room, setting up a filing system or gathering email addresses, need to be planned and executed. Nothing of

importance gets done without putting it on the calendar.

PLAN AHEAD

Keep a file with information about problems you have encountered in the past, solutions you tried and how well they worked. There's nothing like previous experiences to educate you on how to handle future events.

Every time you hit a cash crunch, you may swear never to let it happen again. But the next time, you may find yourself facing exactly the same situation.

Don't let that happen. Note how much cash you would have needed to get through the crunch. Then draw up an action plan to set aside that amount over the course of the year. As the months pass, review your plan. And stick to it so you will be ready when the slow season arrives.

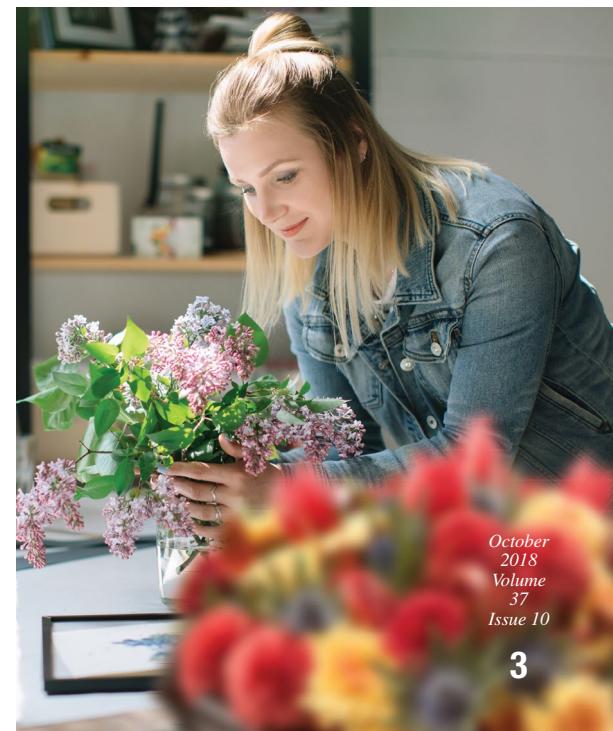
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BONUS TIP: MAKE ONE IMPORTANT DECISION

It may seem like you've got a lot of work to do. But you can get the ball rolling by making one simple decision: The decision to become profitable and to do whatever it takes to succeed.

Without that commitment, your business is bound to be less than it can be.

With it, you'll have the mindset for making changes that will ensure your shop's survival and fuel its growth for years to come. ☺



Holiday Advertising

When to Spend

"The products are so good they just sell themselves."

You've heard the cliché before. Maybe even said it yourself about some trendy clothes or an electronic gadget.

However, you would never say it about your own products, would you? You know all too well the hard facts of the floral business.

Sales don't just come to you—not even during the November through December holiday period. You have to go out and get them, often through advertising.

The need for holiday advertising is easy to comprehend. More difficult is deciding when and how to spend those dollars.

KEEPING YOUR BALANCE

A sound advertising plan requires a reasonable budget with expenditures allocated throughout the season.

The type and timing of your promotions will vary. Techniques that are

appropriate in early November may not get you anywhere in late December. The reverse is just as true.

Here are some ideas for each stage of the season.

STAGE 1: NOVEMBER 1–30

Early holiday advertising is like priming the pump. You try to catch the attention of those who are already in the spirit and to get others thinking in that direction.

Holiday Open Houses: Pull out all the stops. Sometime during the first week or two of November, decorate the shop for the holidays. Display your merchandise. And invite a few hundred regular customers to the shop.

Be prepared to meet, greet and sell. Many attendees who just planned to have a look will walk away with a purchase.

In-House Design Seminars: The principle here is much the same as the open house, only on a smaller scale. You create a design event early in the season to attract customers who are interested in floral decorating.

You will make some contacts and make some sales—both on the night of the workshop and afterward as the students come back to the shop.

Direct Marketing: Personal invitations to an open house are an important kind of direct mail. In early November, you also may want to send (mail or email) your customer list an early announcement of a coming sale or ask them to stop by for a sneak preview of your seasonal merchandise.

3 Common Mistakes

MISTAKE 1: NO PLAN

Effective holiday advertising starts with a budget. Before the season begins, you need a firm grasp of the amount of money you will spend.

A well-planned budget keeps you on track. Your spending will be under control. At the same time, you won't be so miserly that you miss out on important business-building possibilities.

Generally, a flower shop should allocate from 3% to 5% of its expected annual sales to advertising.

Established shops with a well-developed customer base will be on the low end of that range. Newer shops and those that are in a growth phase will need to spend more. Floral businesses that are

expanding rapidly may even be above the 5% level.

If your shop is typical, the November through December period will account for about 20% of your annual sales. It follows, then, that at least 20% of your annual advertising budget should be allocated to this time of the year.

Example: Gary is on the way to building a \$400,000-a-year business. He's shooting for \$80,000 in sales from November through December.

Because he is still fairly new to the community and is working hard to build a base of business, Gary is planning annual advertising expenditures of \$16,000. Of that, \$3,200 will be spent on year-end holidays.

Of course, a strict mathematical formula won't always give the best results. Some shops put extra emphasis on the holiday season.

And don't forget that some of your advertising works year-round. Listings and coupon books, to name two. You can't easily separate the holiday and non-holiday portions of those expenditures.

Once you consider all the factors, set a number that makes sense for you. Then, stick to it. Let the budget guide your spending.

If you do holiday decorating for residences and offices, get that word out early. An early start allows you to better schedule the jobs and ensures your customers will be able to enjoy your work for more than a few days.

Pre-Sale: A pre-Christmas/post-Thanksgiving sale is an old, but still effective, technique. Just realize that you won't be the only retailer vying for the early shoppers' attention.

If you are in a high-traffic area with lots of other retailers, this idea can be to your advantage. However, you'll still have to work to make a splash. In-store and window display ads can be very effective.

STAGE 2: DECEMBER 1–15

Mid-season advertising has a different purpose—and a different focus—than the early season stage.

You won't have the same kind of crowds as you will right after Thanksgiving or just before Christmas. But the flow of business will be steady.

And that's exactly the way you should advertise. Use regular ads that keep your name in front of the consumers you are trying to reach.

Nothing flashy here. Just don't drop the ball. Keep pushing. Take a week off and you may lose valuable momentum.

STAGE 3: DECEMBER 16–31

Compare this year's holiday sales to last year's. Are you behind in any category? How are your seasonal gift inventories?

If you see any trouble spots, attack quickly. Create special offers on the merchandise you don't want to hold for a year. Design featured arrangements using seasonal containers and accessories.

**GENERALLY,
A FLOWER SHOP SHOULD
ALLOCATE FROM
3% TO 5% OF ITS
EXPECTED ANNUAL
SALES TO ADVERTISING.**

This last phase should also include after-Christmas promotions. Here again, focused advertising will be necessary to break through the clutter of other retailers' ads.

HOW TO ALLOCATE

Open houses, direct mail and the other steps you take in the first stage will be among your biggest expenditures.

If you have a \$3,000 holiday advertising budget, you might spend \$1,500 in Stage 1, \$1,000 in Stage 2 and \$500 in Stage 3.

Of course, each shop's unique considerations will impact its advertising timeline. For example, if you sell few gifts and don't do much decorating work, you may focus on the second and third stages. That's when your fresh products will be most appealing to customers.

IT'S TIME

Begin by planning your advertising budget if you haven't already.

Next, look at the three stages suggested above to decide what steps you want to take.

Add in a review of your results from last year. Which advertising techniques were successful? Which weren't?

Don't get in the habit of repeating the same old methods without regard for how well they worked. Keep good records from year to year so you can identify the winners and losers. Once you've done all your homework, get busy.

It may be a little harder than just waiting for those holiday sales to begin rolling in. But you will be a whole lot more successful. ☺



MISTAKE 2: SPENDING TOO MUCH TOO SOON

It used to be that the day after Thanksgiving was the start of the Christmas shopping season. Today, it's not uncommon to see Christmas displays in late October or even earlier.

From a retailer's perspective, a longer shopping season usually means more sales. However, it also complicates the decisions on when you should do your advertising.

There is something to be said for getting a head start. You cannot, however, spend all your holiday advertising dollars during the first few days of the season.

If you spend too much too soon, you lose all flexibility. If early December sales fall below last year's levels, you won't have the

budget to do anything about it. Same thing if a particular line of holiday gifts isn't moving well. You need to reserve enough money to promote special offers late in the season.

Blowing the budget early also ignores another important fact: Not all Christmas shoppers are early birds. Procrastinators abound. A number of people simply prefer to shop late in the season.

MISTAKE 3: SPENDING TOO LATE

Wait to advertise until December 15 and you will have cut your potential market by half or more.

By then, many people already will have finished their holiday shopping. Without planting some seeds early in the season, you will miss out on most of these prospects.

And these are not the kind of customers you want to miss. Early bird shoppers are often big spenders. They are ready to buy. They expect to pay full price and don't want to drag out the process.

Late-season shoppers, on the other hand, tend to be bargain hunters. They are looking for deals. To attract their attention, you may have to slash prices, thereby reducing your profit margin.



IMPROVING PRODUCTIVITY

It's a Simple Combination

Every retail florist wants top productivity from the staff. Consistently high productivity helps you maintain profitability and provide competitive benefits and salaries.

However, keeping productivity up may seem like a mountain that is hard to climb. How do you relate to the following story?

THE CHALLENGE

A very strong man was going around the country, challenging all takers to a contest. Using a single bare hand, he would squeeze the juice out of a plump, ripe orange. Anyone who could squeeze more juice than he could would win a prize.

The champion never lost. Never, that is, until one day a rather scrawny-looking young man squeezed out more juice.

"How did you do that?" asked the strong man.

"This is nothing," replied the young man. "I'm treasurer for the local PTA. We squeeze more out of less all the time."

It's a humorous story. However, it's also a story with a message. Experience and good techniques often produce greater results than brute strength.

It's the same way with productivity. To get more from your employees, you have two options. You can try intimidation and a big stick, or you can manage with good techniques, systems and rewards. The latter approach is always the better way to go.

The productivity formula outlined in the box below is a good rule to remember. Productivity comes from having "the right person doing the right job in the right way with the right attitude."

How does this formula apply in a retail flower shop?

Of course, retail florist positions usually require multiple skills. To some extent, an employee must be a jack of all trades. Everyone must do a little bit of everything.

That's all the more reason to be clear on what each job entails.

THE RIGHT WAY

Investing money and time teaching your employees to do their jobs is always smart. You can count on it. It takes more time and effort to correct problems caused by poor (or nonexistent) training than to train well in the first place.

Design training is especially critical. Teaching a designer to count and write down all of the fresh product in each arrangement is essential to controlling cost of goods sold (COGS). Learning how to produce standard arrangements is another key to productivity.

THE PRODUCTIVITY FORMULA

High productivity is a matter of producing higher-quality work in less time through greater efficiency. The following four steps summarize what it takes:

- *The right person doing...*
- *The right job in ...*
- *The right way with...*
- *The right attitude.*



Adapted from an article by Paul Sarvadi, President of Administaff, Inc., Kingwood, Texas.

THE RIGHT PERSON

Each staff position requires a different mix of skills.

A salesperson with a great deal of customer contact needs a strong telephone presence and a pleasant, winning personality. A bookkeeper, on the other hand, needs math skills, 10-key ability and excellent attention to detail.

Putting the right person in the right job is more than half the battle. Forcing a person into a position for which he or she is not a good fit will lead to endless problems.

THE RIGHT JOB

Good job descriptions are a must. What are the various tasks involved in the job? What exactly do you want each staff person to do?

THE RIGHT ATTITUDE

As you show care and concern for your employees, they will develop positive attitudes in return. Your shop's culture must reinforce that the customer is king. The words you say and actions you take must be sincere. You can't fake it.

Of course, if you want high-performing employees, you also have to compensate them fairly. Reward exceptional performance.

If you want profitability, focus first on productivity. You won't reach your goals without it. 

YOUR HOLIDAY FINANCIAL CHECKLIST

December is one of the two biggest sales months of the year for the typical retail florist.

(May is the other one.)

And thank goodness. As December begins, you have just finished six straight months of non-holiday sales. If yours is like most shops, your cash is low. You're ready for the bottom line to shine and the cash to flow.

With a little preparation, you can make the most out of all those sales.

YOUR BILLING CYCLE

When will you send out invoices to your house account customers? The sooner you send an invoice, the quicker you'll see your cash come in.

Although December is a peak sales month, it can be a very lean one for cash, depending upon how much is charged to house accounts. Historically, florists bill their customers at the end of the month. January turns out to be a low sales month but a great one for cash.

If you don't already send out invoices at least weekly, now is a good time to start. It's a fact: Customers who receive an invoice shortly after their purchase will usually issue the check without waiting too long.

Billing early puts you at the front of the collection line. After Christmas, when all the bills arrive, it's often challenging for customers to make payments.

An added benefit of invoicing more frequently is that you spread your workload. It's much easier to send 100 invoices a week than to send 400 all at once.

DELIVERY CHARGE

You'll be making a lot of deliveries in the last eight weeks of the year. An extra dollar or two per delivery will go directly to the bottom line.

There's no question: Delivery is the most difficult task for most florists. With more gated communities and more

people working these days, it's getting even more difficult.

You should make money on your delivery service, not just break even. And you certainly shouldn't lose money.

When you set your delivery charge, don't use even dollars. Pricing theory says that instead of charging \$10.00, you should charge \$9.95.

NO OVERTIME STAFFING

Plan your staffing carefully enough to avoid paying overtime. It's not always easy, but it is well worth the effort.

OTHER ITEMS TO CONSIDER

- Do you have enough vehicles and drivers to handle the deliveries?
- How many standard holiday arrangements will you prepare and sell?
- Are your holiday hours long enough?
- Do you have enough room to handle the extra workload, or do you need to find an additional location for overflow design and delivery?

There are many things you can do to avoid the big OT.

Let as many of your part-time employees commit to extra hours during the holidays as possible.

Pull out that list of job applicants from the past year. Give a few of the best candidates a call.

Spread the word that you want to hire college students who are home for the holidays.

Or consider hiring some senior citizens who might like extra spending money for Christmas.

TELEPHONE LINES

Will you have enough phone lines to handle the volume of calls you expect? There's nothing more frustrating to a customer than getting a busy signal when they call to place an order. That's all the excuse some need to move on to another florist.

Talk to your local telephone company about the economics and timing of additional lines. Don't forget to consider both the cost of installation and any disconnect charges. Depending on what you learn, you might want to order the lines now and keep them until after Valentine's Day or Mother's Day.

YOUR ADVERTISING PLAN

How much will you spend on holiday advertising? How are you going to use those dollars?

As you review your advertising budget and plan, remember that the most effective advertising is email (or direct mail) to your present customers. It is always easier and less expensive to get present customers to make an additional purchase than it is to get a new customer.

Make sure you leave enough cash to advertise special sales late in the season. When January rolls around, you don't want to have to move out a bunch of product sitting in the back room. ☺

FAMOUS FINANCIAL WORDS

"Rewarding the customer is everyone's job. Rewarding those who reward the customer is management's job."

—Michael LeBoeuf

"Great moments in science: Einstein discovers that time is actually money." —Gary Larson (cartoon caption)

INQUIRIES & ANSWERS LETTERS

SALE SAVVY

"I recently ran a sale advertising everything at 20% off. One of my customers said that was misleading. Is he right?"

Probably.

Telling customers they are getting "20% off" really isn't enough. Both the Federal Trade Commission and the Better Business Bureau recommend that retailers also include "base" or "reference" prices in such ads. The reference price allows customers to better assess the deal.

There are a number of possible reference prices: original, regular, list, marked or comparable. These terms sound alike but have different meanings. Just be sure your words give a fair and clear representation of the discount to the customer.

One good practice is to circulate your draft ad copy to several trusted individuals (usually employees). Find out how they interpret what is being said.

WARRANTIES

"Can a seller disclaim his way out of all warranties?"

No, not all of them.

You often will see a statement from a seller like this: "Any and all warranties, express or implied, are hereby expressly disclaimed."

The law is impartial. It basically allows two parties to make their own deal. They can stipulate that goods are being sold with or without certain warranties. But the law does make one exception to that rule. A seller cannot make a promise on one hand and then take it back with the other.

Here's an example. A supplier offers to sell you "two boxes of blue watertight buckets, 20 per box." You agree. The seller then circles the statement on the bill of sale that says there are "no warranties." The shipment arrives. One box has 15 buckets that are red and leaky. You have the law on your side if you complain. Regardless of what the bill of sale says, every statement of fact made by the seller is a "warranty." He promised 20 per box, not 15; that they would be blue, not red; and that they would be watertight, not leaky. He has to stand behind those statements (warranties).

Remember this when you are selling products or services. The promises you make to your customers are legally binding. Make sure you can deliver what you promise.

NORMS

FTEs



The average number of full-time-equivalent (FTE) employees working in a flower shop. (Two half-time employees equal one full-time-equivalent employee.)

This number shows that the flower business really is made up of small businesses.

The average shop's employment level has been remarkably constant since the mid-'90s. The only exception was the years from 2000 to 2004, when the average went slightly above five.

*Source: Census Bureau—
County Business Patterns*

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