Reopening Essentials
Articles begin on page 2

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 Assume It's Always Voicemail

Whenever you call someone, assume that you will need to leave a message. That way, you'll be prepared with a concise summary of what you need to ask. It's not unusual these days for people to screen calls, especially if they don't recognize the caller's number. So, whether someone answers or not, you'll be ready.

2 Encourage & Accept Feedback

We all say we want feedback. However, receiving feedback—even that you ask for—can be difficult.

Always listen carefully and thank the person who is risking open communication.

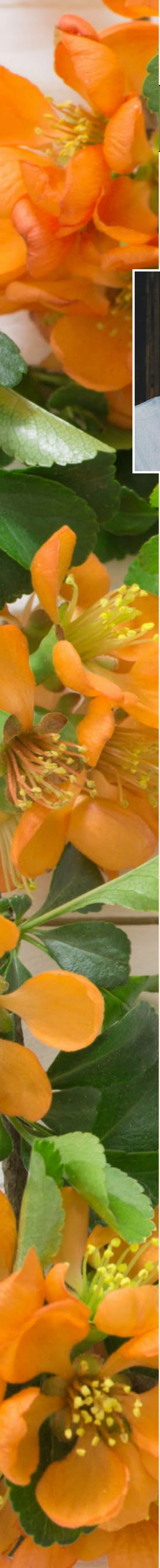
Hold your reaction. Take time to think about what you hear. You may or may not decide to act on the feedback.

3 Make the Connection

Show your employees how achieving good customer satisfaction will help them. Try to give them the big picture.

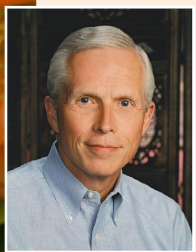
Remember that most enthusiasm is caught rather than taught. You have to show your employees how much you are personally committed to customer care. They'll see your actions and copy them.

INSIDE THIS ISSUE



FROM THE PUBLISHERS
OF FLORAL FINANCE®

WHAT'S COMING?



No one likes to think about bad times. As a culture, North Americans prefer to live life on the positive side.

We've been raised on the power of positive thinking. Reaching your dreams, going for the gold and dozens of other slogans inspire us to do our best.

However, optimism is not the only perspective to adopt. You also must be realistic. If you want to succeed, you can't overlook obvious dangers and pitfalls.

The ideal approach is to be personally optimistic yet realistic in your worldview.

This is imperative on a personal level for your own mental health. It's also essential to how you run your business and make good decisions to navigate the path forward.

The COVID-19 pandemic has affected everyone. We know it's not going away soon. There are too many unanswered questions about remedies, treatments and vaccines.

However, we also know it won't last forever. The sun is still shining. There is every reason to believe we can conquer this challenge.

No one can predict exactly what will happen today, tomorrow, next year or 10 years from now. Much of what lies ahead is out of your control. However, you can control your attitude. Be positive. Look for the best in everyone. And, of course, work hard.

Floral Finance will continue to focus on the keys to profitability to help you rise above.

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A Reopening

Once you have a handle on your summer staffing (page 4) and cash flow (page 6), several other issues need your attention. Here are the six most important ones.

1. COST OF GOODS SOLD

Cost of goods sold (COGS) is the cost of the plants and hard goods you offer for sale. Your goal is to keep COGS as low as possible. The first step is to buy only what you absolutely need to fulfill your sales.

Now is not the time to add large, new gift lines or max out your plant selections. Buy what you know you can sell. In other words, do not increase your inventory. In fact, if possible, reduce inventory by lowering your replacement purchases.

One trick is to use the containers you already have in the back room. Most florists have a large stock of unused containers. Save cash by instructing your designers to use as many of those as possible. You might even offer a small incentive for each one used.

A good rule of thumb on flowers and greens? Flowers and greens should equal 25% or less of arrangement sales. Base your purchases on your forecasted weekly arrangement sales.

2. DESIGN CONTROL

Stuffing extra flowers into arrangements is the single largest COGS control problem. When designers stuff arrangements, you are not being paid for all the flowers going out of your shop.

Now is the perfect time to make sure every designer charges for every item in every arrangement. Everything needs to be counted, marked on the back of the ticket and included in the final price.

One trick from a florist who always has excellent control of flower costs is to have every arrangement double-checked by another staff person. It takes only a few seconds to confirm, and it ensures that your pricing is right.

When the designers know they will be checked, they will make sure they price correctly.

Checklist

REOPENING ESSENTIALS

Beginning May 1, many states began to reopen their economies. Whether you shut your shop down completely during the shelter-at-home period or stayed open with delivery and pickup only, you now are facing six straight months of non-holiday sales. Sales undoubtedly will be down. You need to plan accordingly.

Staffing and cash flow are the two most critical management issues to master. They are covered on page 4 and page 6. This article will outline other operational essentials to bring your shop back to the new normal.

3. HOUSE ACCOUNT BILLINGS

Although house charges continue to decline for most florists, a little attention in this area will help your cash position. You will receive your money sooner rather than later.

Do not wait for the end of the month to send invoices or statements. Instead, send invoices weekly. The quicker customers receive their invoices, the quicker they will pay.

There's a psychological principle at work here. If a bill is received three or four weeks after a purchase, the customer might wait three or four weeks to pay. If the same customer receives the invoice a few days after the purchase, he or she generally will pay in a few days.

4. EXPENSES

Ideally, expenses other than COGS, payroll and facilities should total about 20% of sales. Make sure you hit this mark. This is the time to conserve cash.

Review and eliminate any unnecessary expenses.

Then, look closely at the expenses that repeat each month. A small reduction in a recurring expense will add up over time.

Make sure the person who authorized the purchase approves the invoice for payment. He or she will know if the product and invoice amount are correct.

When designers stuff arrangements, you are not being paid for all the flowers going out of your shop.

5. DELIVERY CHARGES

Delivery is one of the most valuable services you offer. Make sure you charge enough to cover your costs and make a profit.

A good average delivery cost is $1.20 per mile. That includes all the costs of the vehicle and the driver. So, if you take a single arrangement out five miles and come straight back to the shop, that delivery cost you $12.00.

Most florists today charge $9.95 to $12.95 for a local delivery, with additional charges for timed, rush or distant drop-offs. Those special services can easily add $10 or more to the base delivery charge.

6. MARKETING

In times like these, when you are trying to rebuild your business, marketing is essential.

There's nothing wrong with taking a hard look at how you are spending your marketing dollars. There are undoubtedly some expenses you can eliminate and others on which you can save some money.

Just make sure you don't cut back on the activities that are producing results. Your website, social media and emails are fruitful and inexpensive.

On your website, every page should include at least one arrangement at $99 or above. Your average order size will go up. Guaranteed.

GOOD TIMES ARE AHEAD

They certainly are.

However, getting there may take awhile. In the interim, tighten your financial controls and your management practices. When you do, the good times will return even more quickly.

STAFFING *After* COVID-19

Uncharted Waters

COVID-19 and governmental orders to "shelter in place" created a once-in-a-lifetime experience that, of course, no business owner would ever want.

Estimates are that one-third of all retail florists completely closed their doors in March and April. The remaining shops stayed open for delivery and curbside pickup only. Sales dropped by half for most shops—and much more for many others.

Large numbers of workers were laid off or furloughed, leaving only the owners working with maybe one or two other employees. Everyone was scrambling to keep cash flow going and pay bills.

On the bright side, Easter sales turned out to be stronger than expected. In states that began reopening on May 1, florists were back in business for Mother's Day, albeit usually with delivery and pickup only. Surprisingly, Mother's Day turned out strong. Many saw sales increases over the previous year.

The major question now is how to staff for the summer and beyond.

NORMAL SUMMER STAFFING

Even under normal conditions, staffing is a challenge.

Holiday volume causes sales to swing dramatically. Staffing for those ups and downs seems complicated. However, that doesn't have to be the case.

Your shop actually experiences higher holiday volume only 30 to 45 days a year. Total holiday sales represent only 23% of annual sales.

The other 77% is everyday business.

Non-holiday sales represent special occasions for customers but everyday business for the florist. Birthdays, anniversaries, sympathy, get well, weddings and other occasions happen 52 weeks a year. Even during holiday periods. Holiday sales are just added on top of normal sales.

Non-holiday volume is fairly level throughout the year. A week in March will closely match a week in September. It's very predictable. The only exception is that January and July are a bit lower.

Average non-holiday sales for any given day of the week also are consistent throughout the year.

If you want to make money as a retail florist, you must staff at a level that is appropriate for your non-holiday volume. Add part-timers for the holidays. Don't keep them on the payroll after the holiday ends.

That means you will have a level staffing plan for 10½ to 11 months out of the year. Under that plan, summer is not a big deal.

You set up your staff accordingly and move into the summer season with the correct level of staffing.

TODAY IS NOT NORMAL

The problem this year? Consumers have been hit hard. The U.S. had more than 30 million unemployment claims. Even with the Payroll Protection Program, many small businesses will not survive.

No one really knows how long it will take for the economy to rebound. Many people will be out of work for a long time. And almost everyone is going to be more cautious with their spending.

The bottom line? Sales will be down this summer, but no one knows by exactly how much. So, move slowly. Start low and add staff as consumer confidence builds over the next few months.

BUILDING YOUR STAFFING PLAN

Here's a four-step plan that will help. As always, start with as much sales data as possible.

1. Determine current sales levels.

Your point of sale (POS) data will be quite valuable. Start by comparing Mother's Day Week 2020 (May 4–10) sales with Mother's Day Week 2019 (May 6–12).

Were your sales up or down this year? By how much? This will be your first benchmark for predicting the coming weeks' sales.

Then, make the same comparison for the other three weeks of May:

2019	2020
May 13–19	May 11–17
May 20–26	May 18–24
May 27– June 2	May 25–31

It's highly likely that your sales went down more in the weeks following Mother's Day.

Next, look for trends—up or down—in your weekly sales. As consumers get more comfortable being out and about, it is likely many will resume some of their old buying patterns.

If your sales were level for the three weeks, expect the same pattern as you go through June. If sales increased each week, apply that increase to your June projections.

Sales should grow through the rest of the year, with one exception. July probably will back off a little, as it usually does. Use whatever percentage your weekly sales are down in June for July as well.

Then continue to track weekly through August. Adjust your percentages, as necessary, based on your experience.

2. Find your daily sales pattern.

Each day of the week has its own sales pattern.

For example, Friday may be your busiest day of the week. You always seem to need more help then.

A non-holiday staffing analysis will help you figure out which days require an extra hand and which do not. Again, this really is quite easy to do.

First, gather your design sales data for the four consecutive weeks after Mother's Day. This will take you into the first week of June. You'll need to print a "Product Sales Report" for each day you are open during the four-week period.

This data is available from your POS system.

Next, set up a spreadsheet. Put the four weeks across the top and the days of the week down the left side.

Now, fill in the blanks with your daily sales for each of the four weeks.

To determine your design staffing needs, use design sales, not total sales. Also exclude wedding volume and large parties. These are planned events. It's easy to staff for these events because you know in advance when they will happen.

Total each day for the four weeks and divide by four to get your average design volume by day. (If you were closed Memorial Day, just divide the Mondays by three.)

3. Determine how much your designers can do.

Before finalizing the design staffing plan, you need to determine your designers' productivity.

What is a reasonable amount of production for a designer?

We've posed that question to hundreds of florists and the answer is always the same. You can expect a good designer to put out four average arrangements per hour.

If your average retail order size is $40, your designers should produce $160 in one hour.

No one can keep up that pace all day long. However, it's reasonable to expect a full-time designer to perform at that level for six hours a day.

The result? About $960 from eight hours of design time. Dividing $960 by eight hours gives an average design production rate of $120 per hour. A very achievable number.

4. Establish daily design staffing levels.

Divide your average daily design sales by $120 to get the number of design hours needed each day.

For example, if your average Thursday design sales are $1,440, you would need a total of 12 hours of design that day (1,440 / 120 = 12).

Remember, design hours can be easily divided among two or three part-timers or full-time designers who have other responsibilities.

NOTE: If your average arranged order is higher than $40, adjust all the numbers accordingly. Florists with higher average order sizes often require $1,200 or more per day out of a full-time designer. The key is four average arrangements per hour, excluding large events and sympathy work.

STAFF ACCORDINGLY

To maintain positive cash flow, you must keep your staff as lean as possible. Only add staff as sales pick up.

You can do a similar analysis for your drivers. Simply use daily delivery numbers instead of arrangement numbers.

Sales staffing is a little more complicated because the salesperson must wait for a customer to call or walk in. Just remember to keep your sales staff as lean as possible—the same as in every other area of the shop.

Forecasting Summer Cash Flow

COVID-19 slammed your shop's sales. Whatever cash cushion you had probably is depleted.

As you look to reopen or reboot the business, that's a major problem. Without cash, you won't be able to pay your bills. Or your people.

Now more than ever, a cash flow forecast is a crucial part of management. It shows how cash will go in and out of the business so that you can have a solid picture of your monthly cash situation in advance.

You will see exactly how much extra cash you will need. And when you will need it.

Even in "normal" times, January and July often are negative cash months for florists. Sales slow down enough that you may not be able to cover payroll, facilities and other expenses.

In today's COVID-19 business environment, you may face several more months of cash shortages.

There are two parts to a cash flow forecast.

PART ONE: CASH FLOWING INTO THE SHOP

Determining how and when cash will come into your shop involves four easy steps.

1. Estimate your sales for each month. To do this, you need a sales forecast. The article on page 4 explains this task.

2. Evaluate what percentage of the sales will paid with cash, a check or a bankcard. All of those payments can be deposited immediately. House charges do not represent immediate cash. They typically turn into cash over the following three months.

3. Determine when your house accounts charges will be paid. For example, your experience may be that 60% of a given month's receivables come in during the next month, another 30% in the second month and the final 10% in month three.

Suppose you did $10,000 in sales this month and 20% of those sales were charged to house accounts. Using the above assumptions, you would get $8,000 in cash immediately (80% of $10,000). Of the remaining $2,000, you would get $1,200 the next month (60%), $600 the second month (30%), and $200 the third month (10%). The following table reflects your cash flow:

Month	Cash Received
Current	$ 8,000
Month 1	1,200
Month 2	600
Month 3	200
Total	**$10,000**

4. Apply these percentages to your forecasted sales for each month. You'll need to either use a spreadsheet program (such as Excel) or create your own spreadsheet on ledger paper.

Turn receivables more than 90 days old over for collection and enter them into the bad debt expense account until they are collected. To be conservative, do not forecast receiving any cash from receivables that are more than 90 days old.

PART TWO: CASH FLOWING OUT OF THE SHOP

The second part of the cash flow forecast is determining how cash will flow out of your shop.

The simplest approach is to assume that all monthly product purchases and expenses will be paid immediately. Even though you may pay this month's

phone bill next month, you will be paying one phone bill every month. It will balance out.

Calculating which expenses will be paid in the current and following month(s) would be too much trouble. To keep your forecast simple, replace every product sold every month, thereby keeping your inventory level constant. Also assume that you will pay all expenses upon receipt of the invoice. This is the most conservative approach.

Next, estimate your monthly cost of goods sold (COGS) by using your pricing formula.

For example, if you double the cost of your gifts (a keystone markup), your COGS for gifts should be 50%, assuming no loss due to shrink (discounts, breakage or theft). Consequently, 50% of your gift sales, plus 2%–3% for shrink, would be a realistic monthly COGS for gifts.

One word of caution: In a typical year, you may do some Christmas buying as early as July. In today's environment, you need to negotiate terms that allow you to pay for those purchases in the fall or defer your Christmas buying.

NET CASH FLOW & CUMULATIVE CASH FLOW

For each month, add up all the cash coming into the shop. Then, subtract that month's COGS and expenses. The result is the month's net cash flow. A positive number means more cash came in than went out. A negative number means less came in than went out.

The last step: Add each month's net cash flow to the previous month's cash balance to get your cumulative cash flow. As long as cumulative cash flow is positive, you have enough cash to run your business.

If your forecast shows a negative cumulative cash flow, you have several options:

- Increase sales
- Decrease expenses
- Collect your receivables more quickly
- Invest additional paid-in capital in the business
- Borrow.

After looking at your cumulative cash flow picture, you can determine which measures need to be taken.

HOW TO FORECAST CASH FLOW

- Complete a sales forecast.
- Determine how much of your sales will be paid by cash or cash equivalents. Estimate what percentage of the remaining house charges will be paid in each of the next three months. Using these estimates, calculate the portion you will receive in the current month and the following three months.
- For each month, calculate the COGS for each sales category.
- Set up a spreadsheet with months across the top and your sales, COGS and expense categories down the left side. Fill in all line items for each month. At the bottom, subtract the COGS and expenses from sales to get your net cash for the month.
- Add each month's net cash to the previous month's cash balance to get the current month's cumulative cash balance. (Add your beginning cash balance to the first month's net cash flow for the first month's cumulative cash balance.)

FAMOUS FINANCIAL WORDS

"That money talks / I'll not deny / I heard it once / It said goodbye."—Richard Armour

"An expert is one who knows more and more about less and less until he knows everything about nothing."—Anonymous

"A budget is a method of worrying before you spend instead of afterward."
—Anonymous

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INQUIRIES & ANSWERS

Letters

VEHICLE FINANCING

"There are some great deals on vans right now. Should I take 0% financing? Or is it better to take the rebate and pay cash?"

The answer usually depends on interest rates.

The rebate often is the better financial decision because the amount is greater than the interest you would make by leaving the cash in the bank.

However, today most florists are facing lower sales as a result of the COVID-19 pandemic. Now is the time to preserve cash in case you need it. So, 0% financing is today's conservative choice. (But don't be afraid to ask for some of that rebate as well!)

SUMMER HOURS

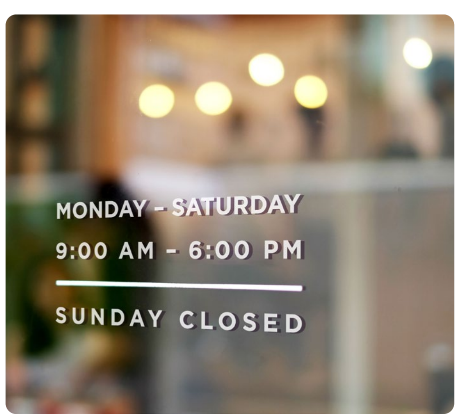
"Should I change my normal summer hours this year?"

Probably.

For a while, most florists won't even have customers in the shop. Sales will come in by phone and online. You will deliver most of the orders. A few will be picked up curbside.

It won't take as long to fill the volume of business you will have. Save payroll dollars by reducing most employees' hours. You might keep one person to answer the phone during regular shop hours.

Take heart. This won't last forever. When customers come back, you can return to normal hours.



NORMS

STANDARD DELIVERIES

The U.S. average range for nearby standard deliveries.

In the COVID-19 economy, delivery is the way most of your customers will get their arrangements. Even in normal times, delivery is the most valuable service you offer. Today, it's essential.

It adds up to about $1.20 per mile for the vehicle and driver costs. Be sure to raise the delivery charge as the distance increases.

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