



# Teleflora<sup>®</sup> Finance

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## QuickTakes

*Ideas You Can Put  
to Work Immediately*

### 1 Build Trust

If you want employees and customers to trust you, you have to be consistent. Doing things one way today and another way tomorrow creates confusion.

Similarly, saying one thing and doing another is a recipe for distrust and resentment. Neither of those builds employee and customer loyalty.

### 2 Take a Survey

A survey is a great way to get anecdotal information you can use to better serve your customers.

Pick a topic. For example, how often do they shop online for flowers? Do photos of the arrangements, the price point, the colors or some other factor help shoppers make their decisions?

The answers you get will help you perfect the online strategy for your shop.

### 3 Evaluate Delivery

Have you reviewed your delivery practices recently? If not, do so before the holidays arrive.

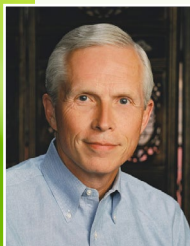
Do your delivery zones make sense? Do any need to change? What about your delivery charges?

You should make money on your delivery service. Charge enough to make a profit. Every extra dollar of delivery revenue above your costs goes right to the bottom line.

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## RELATIONSHIPS



Often in the business world, you hear that the focus always needs to be on the bottom line. After all, that's what business is all about, right? Making money.

Of course, that's not the whole story. Not for most business owners. And not for most workers.

Most of us were born with a built-in need for relationships. In fact, relationships usually end up being the most important aspect of life.

People make decisions on where to work and live based on the opportunities to connect and engage with others in a positive and rewarding way. For many people, it truly isn't "just about the money" anymore.

Relationships flourish where positive characteristics are present: respect, honesty, patience and kindness to name a handful.

If you truly want your work—and the work space you create—to be fulfilling for yourself and others, focus on your relationships with employees, co-workers, suppliers, customers and all of those you come into contact with.

Build those relationships. Make the shop an environment everyone looks forward to visiting. Not only will you enjoy what you are doing more, those around you also are bound to experience the same thing.

The shop's productivity will improve. Happy workers are productive workers.

The positivity will even be felt by your customers. They will enjoy doing business with you. And that will translate into repeat sales.

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On the cover: Teleflora's  
*You're Brilliant Bouquet*

# Is Contract Labor a Good Idea?

HOW DO  
I KNOW  
IF IT'S  
LEGAL TO  
HIRE CONTRACT  
DRIVERS?



Every florist struggles with delivery. Especially at holiday times, when more drivers are required to handle the overload.

One solution: pay seasonal drivers a flat fee per delivery. Simple. Easy for everyone to understand.

However, if you aren't careful and the shop is audited, you might face severe penalties for not treating these drivers as employees.

What does it take to safely classify drivers as contract labor? The answer is complicated—and not as clear as you might think.

### STARTING POINT

Before deciding whether (or how) to use contract labor, it's helpful to know exactly what "contract labor" means.

Believe it or not, defining the term is the first major issue. There is no solid definition of what is and is not contract labor. At least, not one that is universally accepted by all states.

Each state is free to—and does—set its own standards as to what will qualify as an independent contractor relationship. They all speak the same language. They look at the same set of factors. But they apply their own standards.

One thing is certain. If you follow your state's guidelines, contract labor can save you some payroll hassles and expenses.

As you make your plans, consider this: You already are using contract labor every time you hire a repairman.

Technically, these workers are independent contractors. They have their own businesses. They pay their own insurance, benefits, salaries and payroll taxes from the fees they collect.

Because they are genuine businesses, the IRS doesn't have a problem with these situations.

It's when you hire an individual who doesn't have his/her own business that things get sticky.

### THE CONFUSION

The confusion surrounding who is or isn't an independent contractor seems so unnecessary. If someone could just set the rules, companies could then act accordingly.



Unfortunately, there aren't any such rules. There's no list that says following these three (or four or five or six ...) guidelines will guarantee you have a valid contract labor situation.

There is, however, a pretty good list of the factors involved in determining whether a worker can be properly characterized as an independent contractor.

In general, it's an issue of control. A company has almost total control over how and when an employee's job is done. With an independent contractor, the company still directs what work is to be done. But it has less control over how and when that work is accomplished.

How do you measure control? It isn't easy. But the following questions may help. Every "yes" answer increases the probability that the worker will qualify as an independent contractor. Every "no" answer increases the odds that the worker will be considered an employee.

#### **Is the worker paid by the job, rather than by the hour or by salary?**

This can be important. Paying by the job matches the nature of contract labor. You are hiring the worker to perform a certain job. The pay should be related to the task, not measured on a time basis.

#### **Is the working relationship a one-time or seasonal arrangement rather than an ongoing one?**

Again, very important. The longer the arrangement lasts and the more structured the time, the less it will look like contract labor.

#### **Does the worker provide his/her own materials and pay all expenses that are incurred?**

The delivery process illustrates this factor's importance. If a florist furnishes a driver with a van sporting the shop's logo, pays for gas and covers all other vehicle expenses, the driver looks like an employee.

On the other hand, suppose the driver supplies his/her own truck and pays for vehicle maintenance and expenses. It seems reasonable to call the second example contract labor.

#### **Is the worker free to perform similar services for other companies?**

If a shop uses a delivery service that makes all sorts of deliveries for

all sorts of different companies, it's a slam-dunk case for contract labor.

If the worker is required to deliver exclusively for a single shop, it's a harder case to make.

#### **Is the use of independent contract labor a common industry practice?**

The fact that other shops do or don't claim contract labor in a given situation doesn't necessarily determine what you can do. However, how the industry typically perceives the relationship can be extremely helpful when you are in gray areas.

**There is no solid definition of what is and is not contract labor. At least, not one that is universally accepted by all states.**

How many florists do you know who try to claim their sales staff as contract labor? Not many. That's a big clue on how floral sales labor is viewed.

On the other hand, how many florists use a contract labor solution for seasonal delivery work?

#### **Is the documentation consistent with contract labor?**

Independent contractors should be given 1099 forms at year-end, not W-2s like regular employees. If you've given a W-2 to someone you now

want to call an independent contractor, you've got a tough road ahead of you.

A written contract signed before work begins also may be helpful. The contract should describe the nature of the relationship and show why both parties agree the worker is an independent contractor.

Delivery people, especially those hired on a short-term or seasonal basis, continue to be among the best prospects for contract labor in the floral business.

However, another category fits pretty well, too. Some florists don't keep much of an in-house office staff. They use contract bookkeeping services or professionals to do the books.

#### **YOUR STATE**

The best thing you can do? Check with your local IRS office and state Department of Labor before you create a contract labor situation. Tell them what you have in mind. See if the proposed arrangement will qualify under their guidelines.

Remember, there are no guarantees in this area. Some states are harsher than others in terms of what they will allow. Even answering "yes" to all the questions above may not be good enough.

So, be careful. Make sure you, your state, and the IRS are all in agreement before you commit yourself. You may save yourself some headaches later. 🧐

## **Is It Worth It?**

The "By The Books" article on page 7 shows how the numbers compare for contract labor and employees. Check it out before you make your decision.





# Facing a Financial Crisis

**M**any situations can create a financial crisis. Whatever the circumstances, all lead to the same end: You're short of cash. The cause may be joyful or tragic. The difficulty may be short term or long term. Expected or a total surprise.

Coming out of the COVID pandemic. Leaving a comfortable job with a paycheck to start your own business. Losing one spouse's income when a baby arrives. An unexpected and lengthy illness.

It doesn't matter.

Each of these very different situations can be a crisis. Dramatic changes in lifestyle, cutbacks on expenses, sources of new revenue—all may be required.

The issue is survival.

## BE PREPARED

No one is immune from the threat.

Even if you haven't done anything wrong, an economic slowdown in your community could cause harm. Where and when such an event will strike or how hard it will hit isn't easy to predict.

Just remember that florists are not in a recession-proof business. If your customers have fewer discretionary dollars to spend, you will feel the effects of a downturn.

## BASIC STRATEGIES

If a financial pinch can't be avoided, its effects usually can be blunted through good planning and decisive action.

As simple as it sounds, there really are only three basic ways to meet a big financial challenge.

1. Reduce expenses
2. Raise revenues
3. Some combination of both

Of course, it's not as easy as it sounds. Putting the principles into practice is the difficult part. It always is.

## GETTING STARTED

The appropriate course of action will depend on your situation.

Some people already are in the midst of a serious predicament. Unexpected catastrophe has struck. Or years of living beyond their means finally

has led to a seemingly insolvable plight.

Other individuals have some advance notice. They know exactly what their shortfall will be and when it will hit. The goal is defined before the need arises.

But the last group—those who are neither in nor expecting financial crisis—represents the most difficult challenge. The size, shape and duration of the crunch for which they should prepare is undefined.

Something could happen. Sure. On the other hand, maybe there won't ever be a problem. The tendency is to just assume that everything will be alright.

Regardless of how you find yourself in a crunch, the following suggestions may help.

## Evaluate & Budget

This first step in attacking (or sidestepping) financial disaster is often the most neglected.

Take a hard look at your spending patterns. Yes, this is a chore. It means tracking what you spend—and why—for at least a couple months.

But think of the benefits. You will see, maybe for the first time, exactly where your cash goes. A few prime candidates for reductions will probably jump right out at you.

Then, forget what you are actually spending and consider only what you truly have to spend. The absolute minimum monthly expenses you can't avoid. That probably means mortgage (or rent), vehicle, utilities and insurance. And not much else.

**Some people consider charitable giving to be a necessity. If that's your inclination, add in a reasonable amount for this additional item.**

## Set a Strategy for Change

The spread between what you are spending and what you absolutely have to spend is where you should concentrate your efforts.

If you are in the midst or on the verge of a crisis, you may have to make wholesale eliminations. If you



aren't yet under the gun, you can make the necessary changes more gradually.

Wherever you are, don't delay the inevitable. If lifestyle changes are necessary, make them. For example, eat at home more often. Or carry your lunch to work. You'd be amazed at how much the average person spends eating out. You can quickly save a lot of money by brown-bagging it.

Reduce entertainment expenses.

Delay purchases. Make do with what you have, instead of demanding the newest, the biggest and the best. Most of us have more than enough "stuff" to last months or years.

### Pick the Right Targets

Making one big reduction is often easier and less painful than piecing together smaller reductions in a number of areas. However, saving on smaller, recurring expenses can add up nicely, as well.

**Examples:** Do you really need cable or satellite television? Reducing that cost can make a big impact. Similarly, how many streaming services do you really need?

Think about other subscription/recurring service fees.

What about your land line? Do you need that anymore?

Implementing strategies for several of these discretionary expenses could put you on the road to thousands of dollars in savings. Not small change.

### Reduce or Eliminate Debt

Consumer debt is at the root of many people's financial woes. You can't let debt be your master.

If you are burdened with consumer debt, stopping the use of credit cards is often a good place to start. Having to write a check or use cash is less convenient than pulling out "plastic money." The overwhelming advantage, however, is that it forces you to live within your means.

Once you've stopped adding to your credit card debt, you can begin cutting the existing balances down to size.

Debt consolidation may help. If you are paying 18% – 21% interest on several credit cards, your bank could probably replace that debt with a single loan at a much lower rate.

A home equity loan could serve the same purpose. Just make sure you set up a firm plan to pay the loan back as

The consequences of falling behind on those payments can be severe.

If you miss a few car payments, the bank may repossess the vehicle. Fall two or three months behind on your mortgage and you could lose your house.

There's another reason to keep current on the biggies. If you skip a \$1,000 mortgage payment this month, you'll face a \$2,000 payment plus fees next month. Even if you weren't in a crunch, that could be quite an obstacle.

### Make Savings a Priority

North Americans (US and Canada) are consumption-driven people. We spend essentially every dollar we earn and then some. Little, if anything, is put away. The result is that we're not prepared for unexpected misfortune.

Commit to spending less than you earn. Build a regular savings component into your budget. Make sure you choose the vehicle 401(k) plan, IRA or a simple money market saving account) that is right for you. All the options are a big improvement over sitting still.

### WHEN THE WORST HAPPENS

If you are surprised by a cash crunch, apply the above suggestions with urgency.

Immediately cut your living expenses to the bare necessities. Contact your creditors to explain your situation. They may be able to offer some short-term relief.

Take a hard look at your possessions. Do you own valuable but unwanted items that you could sell for cash?

Do you have investments that could be liquidated? Or can you borrow against your savings account balance or life insurance cash value?

Don't wait. The longer you delay, the harder and more elusive the solutions will be. The quicker you respond (or, better yet, initiate action), the better off you will be. 🌸



Dramatic changes in lifestyle, cutbacks on expenses, sources of new revenue—all may be required.

soon as possible. Although your long-term goal should be to pay off your mortgage, using a short-term home equity loan to get on top of things is not a bad course of action.

Whichever strategies you choose, remember one big danger: Getting the loan, paying off the credit card balances and then beginning to charge again. If you fall into this trap, you'll be in worse shape than when you started.

If you are in relatively good financial shape, speed up your debt repayment. Get it over with. On the other hand, if you're in the midst of a crunch, renegotiating a slower payback may help you escape.

### Keep Current

Your biggest financial obligations are, in one sense, the most important.



### Initiate Contact

Most creditors are willing to work with customers who deal with them in good faith. The worst thing you can do is pretend the problem doesn't exist.

Rescheduling your debt or arranging for partial payments can help you work out of a hole. But you must take the initiative and tell your creditors you are in trouble.



# Employee Discounts

## A Low-Cost Benefit Your Employees Will Love

**Y**our employees work hard. You want them to be loyal. Hopefully, the best will become long-term team members.

You can reward and encourage loyalty by offering a generous employee discount on purchases made in your shop.

Many florists give employees a discount. They think it is expected, so they offer a small price break. Maybe 10% – 15%.

The result? Employees nod their approval; however, they don't make many purchases.

Why not knock their socks off? Make the discount program something worth talking about.

### HOW MUCH IS ENOUGH?

Start with the premise that you don't need to make money on your employees.

To set the right discount, look at your pricing formula.

Suppose you double all your gift items. A plush animal you buy for \$4.99 is marked at \$9.99 for retail. You could give your employees a 50% discount on gifts, without losing any money. The employees would be ecstatic. You would come out even.

What about flowers? If you double your cost on loose stems, you also could offer a 50% discount on loose stems.

Arrangements aren't quite that simple because you have labor costs on top of the product costs.

Suppose your cost of goods sold (COGS) on arrangements is 33%. That includes the flowers, container and supplies. Next, suppose your direct labor cost is 10% – 15%, depending on the type of arrangement.

Your total hard costs in the arrangement (product and labor) could range from 43% to 48%. Why not give employees 50% off arrangements, except hand-wired and taped items? On those items, a 33% discount might make more sense due to the additional labor required.

### RULES TO LIVE BY

Following some rules will protect the integrity of the discount program and reduce your risk of loss or abuse of the benefit.

#### 1. Three-Week Waiting Period

You probably buy a limited number of gift items, based on what you expect your sales to be. If a particularly nice item comes in and the employees buy it out at half price, your business will be negatively affected.

Solution? Allow employees to take their discount on hard goods only after your customers have had the first chance at the new merchandise. A three-

week waiting period is usually enough. Of course, an employee who asks you in advance to add an additional item to your regular order should be able to take his/her discount immediately.

#### 2. Pay the Bill on Time

On a cash sale, employees should be able to make a purchase and get the discount immediately.

If you allow employees to charge purchases to a house account, you'll need to be a little more careful. Only continue to give the discount if they pay the bill promptly.

#### 3. Pre-Mades Only

Give arrangement discounts only on arrangements already in the cooler—unless your designers have some downtime.

This policy puts customers first. You don't want designers to fall behind on their real work because they are filling discounted employee orders.

#### 4. No Special Events

If an employee wants special design services for a party or wedding, lower or eliminate the discount. You should make some profit on those large orders.

#### 5. It Takes Two Employees

No employee should ring up their own discounted sale. Require that a second employee complete the sale.

You, as the owner, also should follow this rule. Set a good example, and you will greatly reduce the temptation to steal or cheat.

#### 6. No Buying for Someone Else

The employee discount is for employees only. They can't use the discount to buy for a friend or relative.

The employee discount is intended to be a benefit to your employees—not a cost (in lost opportunity, profit or time) to you.

### IT'S GOOD BUSINESS

Employee discounts are winners. For everybody! You not only won't lose with a generous discount policy, you also will win many times over with improved employee morale and greater loyalty. 🌿

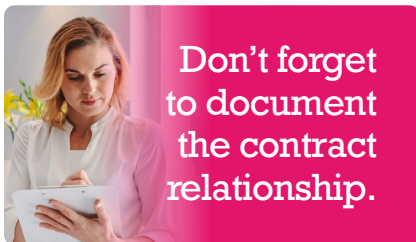


# The Numbers on Contract Labor

## The Risk-Benefit Analysis

**T**he flexibility to shrink and grow your workforce is a big checkmark in the positive column for using contract labor. That's a given.

But using contract labor can be sticky—with many details to keep up with. And the concern that an audit could be triggered if you miss something.



**Don't forget to document the contract relationship.**

So, is it worth it? Wouldn't it make more sense just to put everyone on the payroll?

### HASSLE FACTOR

The payroll process is viewed by most as a necessary evil. Not evil in the devilish sense (although complicated withholding tables might suggest demonic activity to some). But evil in the sense that it takes so much detail work.

It is a hassle to add workers to your payroll. Especially if they only will work a few hours each week. You have to capture each person's pay, tax and benefit information. Then, you have to process the paychecks and withholdings throughout the year. Finally, you have to produce W-2s at the end of the year. This is a lot of work.

All of that being said, you'll have to supply most contract drivers with 1099s at the end of the year.

So, there's paperwork either way.

### MONEY

It usually costs more to put someone on the payroll than to treat him/her as a contract worker. This is especially true for seasonal delivery personnel.

Consider this. If you hire a contractor to do some repairs, the repair company

has to pay payroll taxes, insurance and other benefits for that employee. Those costs are built into the hourly rate or fee you are charged.

In this case, you don't save any money—because you are essentially paying for the taxes and benefits when you pay the rate.

However, hiring contract labor for holiday deliveries is a different story. These workers see the job as an opportunity to earn some extra income. It's not a career.

And their pay reflects that. They also don't expect benefits.

But how do the numbers really line up?

### THE NUMBERS

Take a look at the numbers. With a contract worker, you will save the company portion of payroll taxes:

Social Security	6.2 %
Medicaid	1.45
Federal Unemployment	0.8
<b>Total</b>	<b>8.45 %</b>

In other words, for every \$1,000 you pay in contract labor you will save

\$84.50. That's not a lot for most shops.

What about employee benefit savings? Even if they were on the payroll, these part-timers most likely wouldn't qualify for benefits.

### THINK ABOUT IT

That's what you'll save using contract labor: a little hassle and a small amount of money.

Are the savings of using contract labor enough to justify the chance that an audit might overturn your decision to treat drivers as contract labor?

If that's a fear for you, just put everyone on the payroll. Accept the hassles and expense as a cost of doing business. Don't worry about it.

On the other hand, if you want to move forward with a contract arrangement, make sure you do it right.

Go back to the six questions on page 2. Structure the work relationship in such a way that you can answer "yes" to all of the questions.

Be sure to document the contract relationship. Have each individual sign an agreement showing they understand what contract labor means. 🌸

See the article on page 2 for an overview of contract labor.

### FAMOUS FINANCIAL WORDS

*"If a free society cannot help the many who are poor, it cannot save the few who are rich." — John F. Kennedy*

*"A problem well stated is a problem half solved." — Charles Kettering*

*"... a poor person who is unhappy is in a better position than a rich person who is unhappy. Because the poor person has hope. He thinks money would help." — Jean Kerr*

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# INQUIRIES & ANSWERS Letters



## TOO MUCH RENT

*“Floral Finance says facilities expenses should be no more than 10% of sales. I am in a high-traffic, high-profile center in a large metropolitan area. My base rent is \$36 per square foot. After adding in all my other facilities expenses, there is no way I can stay under 10%. The shop still is profitable, but am I out of my mind to pay such rates?”*

### **Not if you’re making money.**

You probably selected the high-traffic, high-profile location because it brings customers in. In other words, your location itself is a large part of your advertising.

Consequently, you need to consider your facilities and advertising expenses together. A good target for the combination is 15% of sales or less. Another consideration is that the clientele at high-end locations often will pay more than elsewhere. So, your cost of goods sold (COGS) is lower. That helps offset the higher rent.

If you spend more in one area, you have to make up for it in another. Although your circumstances are not the norm, they may make for a very profitable business.

*Editor’s Caution: The expected benefits of high-rent locations often are an illusion. Be realistic in your projections. Make sure you won’t end up supporting the landlord.*

## RINGING UP INCOMING WIRE ORDERS

*“After subtracting 20% for the sending florist and 7% for the wire service, I only get 73% of each incoming wire order. Should I enter these sales at 100% or 73% when ringing them up?”*

### **100%. Definitely 100%.**

Either method will produce an accurate income statement. However, retail florists need to know more than how much money they made each month.

To manage for maximum profitability, one number that has to be accurate is your COGS for arrangements. Most incoming orders are for arrangements. If you ring up these orders at 73%, your sales will be understated. Consequently, your COGS will appear higher than it actually is.

So, ring up the order the same way you would a local order. Put 100% in the appropriate sales category. Enter the 27% you don’t get to keep as an expense item at the end of the month. Most point-of-sale (POS) systems will make the correct entries automatically.

## **NORMS**

### **SALES INCREASE**



**M**any florists see a 20% sales increase after giving their employees proper sales training. It’s true: Training how to sell can have a dramatic effect on your sales.

Learning how to sell doesn’t mean how to “twist customers’ arms.” It’s mastering how to make customers aware of the variety of products and prices your shop has to meet their needs. It is learning to identify the occasion at the beginning of the conversation and then presenting the right options.

One tip: Always offer at least one choice above \$100. You’ll be surprised how many customers will want the “premium” product.

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