



FINANCIAL INFORMATION,  
 EDUCATION AND CONTROL  
 FOR THE RETAIL FLORIST

# Floral<sup>®</sup> Finance

teleflora<sup>®</sup>

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## QuickTakes

***Ideas You Can Put  
to Work Immediately***

### 1 Mental Blocks

Ever feel like you can't get going? The tasks you face just seem insurmountable? If so, here's a tip from Mark Twain:

"The secret of getting ahead is getting started. The secret of getting started is breaking your complex, overwhelming tasks into small, manageable ones, and then starting on the first one."

### 2 Process

Vision leads to mission, and mission leads to goals.

Your vision is where you want to be in three to five years. Your mission is what you want to accomplish in the next 12 months. Your goals are what you want to do in the next two to three weeks.

It's a progression. Start with the vision. Make it bold. Then move forward from there.

### 3 Perspectives

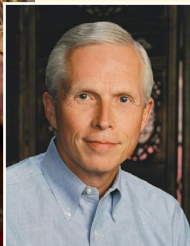
Which of these perspectives comes to mind when you receive a call from an unhappy customer?

- "This customer wants to take it out on me."
- "This customer thinks I can help with her problem."

If you choose the first, you are on the defensive and probably just as unhappy as the customer.

If you take the second approach, you see yourself as a knight in shining armor, riding in to save the day with a smile. It's your choice.

## HOW DO YOU VIEW YOUR EMPLOYEES?



Do you see your employees as merely a means to an end? People who perform tasks and offer products and services to your customers so you can make a profit?

Is that all they are to you? Really?

If so—no matter how cordial and polite you are—your true feelings will show. Your employees will sense your dismissive attitude and will be less likely to give 100% to their work.

If you view your employees on a higher plane, however, your workplace will be more rewarding for everyone, including you. And it probably will be more profitable as well.

Every employee is a human being endowed with dignity, intrinsic value, potential and all kinds of abilities. Each is someone's son or daughter, grandson or granddaughter.

They all have aspirations higher than just earning a paycheck. They all want to contribute and to be needed and appreciated.

View your shop as a small community that exists not just to run a business but also to create an environment in which each individual is challenged and encouraged to meet his or her full potential.

As your shop's atmosphere changes, your employees will look forward to coming to work. They will be happier and more productive. Your business will be more profitable. And you will get to know some pretty remarkable individuals.

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## MANAGEMENT ESSENTIALS



## Controlling Payables: *The Joys & Challenges of Spending Money*

**P**aying bills is never pleasant. On the other hand, it's part of running a successful flower shop. If you don't pay your bills, you soon won't have anything to sell. So, being able to write those checks is a sign of a healthy business.

Buying the products you will sell. Making your payroll. Paying all of the other expenses involved in running your shop. All of these are part of the payables process. A smooth, efficient system will put you in control of where your money goes.



### MANAGING CASH

Cash management is the biggest payables challenge. Sales may have been terrific during the past week. However, if most of those sales were charged to house accounts, you may not have enough cash to pay your bills on time.

Paying bills as they come due is only part of the challenge. You also have to conserve enough cash to cover your next payroll.

Many florists keep their money in an account that earns interest. Although interest rates are low today, they won't be that way forever. Consequently—at the moment—the longer you can leave the money in an interest-earning account, the better.

If an invoice offers "net 30" terms, you have little incentive to pay early. Waiting the full 30 days will let your money earn interest.

On the other hand, if the terms are "2% ten," you should probably pay that bill within 10 days if you can. Saving 2% by paying within 10 days instead of waiting the full 30 days represents an annualized return of more than 36%.

Most businesses will take advantage of invoice terms that allow them to maximize their profits. But you need money in the bank to do so.

Effectively managing your cash, therefore, requires both a strict financial analysis of which terms are optimal and consideration of what your cash resources will allow.

### BILLS TO PAY FIRST

Hopefully, cash-flow management will allow you to pay all your bills on time. However, what if you occasionally find yourself short of cash?

In those cases, you need to prioritize the bills. Payroll is usually at the



top of the heap. You have to pay your employees if you want them to keep coming to work. And penalties for not paying the taxes on time are incredibly high.

Next are items like the phone bill and utility bills. Services you need to stay in business.

Continue determining the relative importance of each bill. Once your cash crunch eases up, you can resume paying all bills on time.

### PAYABLES PROCESSING

The mechanics of processing payables involves five steps.

#### 1. Approving Invoices

Each invoice must be approved before it is paid. When an invoice comes in, have the person who ordered and/or received the item review and approve the invoice for payment.

This step ensures that you received what was expected. If not, the invoice can be corrected or the supplier contacted to make the necessary adjustments before payment.

Any office supply store can sell you an “Approved” stamp that will help you document this process. The person who approves the invoice initials it in the appropriate spot, after making any necessary corrections.

**Saving 2% by paying within 10 days instead of waiting the full 30 days represents an annualized return of more than 36%.**

#### 2. Scheduling Payments

Check the terms and decide—based upon your cash flow—whether you will take advantage of any early payment discounts.

Remember, this step involves both what is the best deal and whether you have the resources to do what you would prefer.

Once you establish when the invoice will be paid, mark that date clearly on the invoice. (Again, a stamp may make this easier.)

#### 3. Writing Checks

Writing checks (or setting up electronic payments if you’ve migrated to that approach) every day is not efficient. It’s much better to sit down once a week with your approved invoice pile and process all the payments at one time.

For paper payments, date when each check will be mailed. Then place the check along with the remittance copy of the invoice in a date tickler file. (This is simply an accordion folder with a pocket for each day of the month. If you use this system, you will need two folders: one for the current month and one for the next month.)

Processing a batch of payments all at once will help you better control your cash flow.

#### 4. Accounting for Expenses

If you handwrite checks, a “one-write” system will automatically create a record of the information to be entered in the general ledger. However, handwriting checks is a very inefficient process. Processing payables with a computer-based general ledger software package (e.g., QuickBooks)

makes the accounting easier, more accurate and much faster.

Once you have entered a vendor into the program, it remembers that vendor. You never again will have to type out the full name or address. It pops up automatically as soon as you put in the first few letters.

The computer program also captures all of the information necessary for your financial statements. If you handwrite checks, you have to separately enter that data into your accounting program. That’s wasted time.

Besides, computer-generated checks look more professional.

#### 5. Mailing/Scheduling the Check

Mail each check (or set up its online payment) on its scheduled date. For postal checks, just reference your tickler file each day and send out the pre-written checks in that day’s slot.

All of the invoices you process in a given month need to be expensed to the income statement for that month. Those that will not be paid until the next month need to be accrued as a payable. (Get a copy of *The Profit Minded Florist* from Teleflora at 800-421-2815 for complete accounting instructions and forms for this.) 🌸

## SIX STEPS TO CONTROL PAYABLES

1. Have the proper person approve every invoice, making any necessary corrections.
2. Set the invoice for payment based upon your cash flow projections and the desirability of any terms.
3. Process approved invoices weekly. Place the completed checks and invoices—by mailing date—in a tickler file (or set them up for electronic payment).
4. Use a general ledger program to process and print your checks if you’re mailing checks. The program will capture all accounting data at the same time.
5. If using mail, mail each check on the appropriate date.
6. Enter this month’s expenses that won’t be paid until next month into a payables account. Then schedule or set these payables aside for payment next month.







## Controlling Expenses

Expenses always will be with you. Many simply won't go away. However, to maximize your profitability, expense control has to be one of your most important tasks.

To do the job, you need a systematic approach. You have to look at each individual expense item. One by one. You'll probably find some expenses that can be eliminated altogether. And others that can be dramatically reduced.

*Every dollar goes to the bottom line*

### FIXED VS. VARIABLE

Expenses are often classified as either fixed or variable. Fixed expenses are those that are not easy to change. For example, rent is a fixed expense. It usually is the same every month and will continue at that level until the end of the lease. The only exception is when the lease specifies a fixed monthly amount plus an additional sum based on sales (usually, sales above a certain amount).

Variable expenses, on the other hand, depend on sales. For example, delivery expenses rise or fall with the number of deliveries.

In reality, ALL expenses are variable in the long run. No expense is truly "fixed" forever. Even items that are fixed in the short run can be changed

at some point. For example, you can move your location to lower your rent.

### GENERAL APPROACH

The bigger the expense, the more attention it deserves.

That makes sense, doesn't it? Reducing a single big expense will have a significant impact on your bottom line.

That being said, don't ignore smaller expenses. Reductions in several smaller items can yield the same impact as improved control of one larger expense. It just takes more work.

Expenses that repeat month after month are also important targets. Even fairly small repeating expenses can represent a considerable amount over the course of a year.

### EXPENSE REVIEW

Your income statement is the primary working tool for controlling expenses.

Expenses appear on the income statement right after gross profit (product sales + non-product sales – cost of goods sold).

How many expense categories are needed varies. What is proper for one shop may not be proper for another. A large operation may divide supplies into those for the office, store, sales, design and delivery. Separate accounts and general ledger codes for each. A smaller operation probably will not need that much detail.

To determine how many categories you need for expenses, answer the following questions:

- How much effort does it take to divide your expenses each month into the expense accounts you currently use? If this task is consuming too much of your time, you may have too many expense categories.
- How much effort is involved in evaluating your income statement each month? If you have to get out your calculator and look up numerous records for the statement to make any sense, you might need additional expense categories.

The average-sized flower shop can adopt the recommended general ledger accounts found in *The Profit Minded Florist*. (Call Teleflora at 800-421-2815 to get a copy.) These will provide a good balance between ease of data entry and proper financial control.

**Even fairly small repeating expenses can represent a considerable amount over the course of a year.**

Also, put your chart of accounts in alphabetical order. You'll be amazed how much time that will save when you are trying to track expenses.

If an expense is a big one, see what you can do to reduce or eliminate it. The bigger the item, the closer you need to examine it.

Pay particular attention to expenses that repeat every month. For example, health insurance is paid every month. Is there anything you can do to bring down this and similar repeating expenses?

Variable expenses usually can be dealt with more quickly. However, don't overlook fixed costs, like rent. A long-range plan can reduce seemingly inflexible items significantly.

In general, use the following three steps to evaluate each expense:

1. See if the expense can be eliminated.
2. If it cannot be eliminated, see if it can be reduced.
3. If it cannot be eliminated or reduced, see if it can be frozen at its present level.

#### HELPFUL HINTS

Can any services you are presently hiring out be done in house for less money?

For example, could you buy and wash the necessary rags instead of using a laundry service? Perhaps your delivery person could stop at a laundromat on the way back from a trip.

Could you save on supplies by having employees use their own coffee mugs instead of Styrofoam cups?

Buying your own equipment is often cheaper than renting.

Have your accountant compare the economics of buying coolers and delivery vehicles rather than leasing them. Buying may save a lot of money in the long run. Whenever an extra person gets in the middle of a transaction, it usually costs you more money. That middle person has to make a profit, too.

Finally, have the users of a particular service contribute to the cost of that service. Health insurance is the best example. Married employees often will enroll in free health insurance if you provide it—even if they already have coverage under a spouse's policy. You end up paying for a benefit that isn't even being used. If they had to pay for even a small part of the coverage themselves, they would not take it.

Consider paying only a portion of the premium for the individual employee, with the employee picking up the rest of the cost as well as any dependent coverage. Only employees who really need the coverage will take it.

The same is true with other perks. You probably don't pay for soft drinks. Why should you give preference to coffee drinkers? Use the honor system to have coffee drinkers pay 10¢ per cup.

Use some creativity. You'll be surprised at the many places you will find room for improvement. 🌸

## Expense Control Checklist

- ☐ **Step 1** Make sure your income statement has a good breakdown of expenses. When laid out properly, it will save you significant time. Listing expenses in alphabetical order also is a great time saver.
- ☐ **Step 2** Focus on the largest expense items first. Improvements here will result in the biggest returns.
- ☐ **Step 3** Next, look at expenses that repeat every month. They add up over the year.
- ☐ **Step 4** Address variable expenses first. Develop a longer-range plan to deal with fixed expenses.
- ☐ **Step 5** Identify services you currently hire out that can be done less expensively in house. Analyze whether buying equipment and vehicles instead of renting or leasing could save money.
- ☐ **Step 6** Split the cost of employee benefits such as health insurance with your employees.
- ☐ **Step 7** Remember the priorities in controlling your expenses:
  - Eliminate unneeded expenses.
  - Reduce necessary expenses.
  - Freeze those that can't be eliminated or reduced.





# LEADERSHIP FOR FINANCIAL SUCCESS

## An Imperative Skill Set

**F**inancial success requires teamwork. And teamwork doesn't happen without a skillful leader.

Leadership skills don't automatically spring up when a person is given a title. In fact, usually, just the opposite occurs.

Too often, a person who is given authority thinks the way to get things done is to begin making demands. That's not leadership. It's a formula for failure. An unhappy and unmotivated workforce will lead to lost dollars in sales, productivity and expense control.

Invariably, in a successful small business, the person in charge has been taught vital skills of leadership. The health of the organization depends upon it.

### INTEGRITY & HIGH MORALS

Integrity and ethical behavior are prerequisites for any leadership position. This is the foundation upon which a leader can be trusted and respected.

Anything short of this ultimately will lead to an unhappy work environment and make the organization less effective.

### VISION

Vision comes after integrity and morality. A leader must articulate and pass along a picture of where the organization is going.

This could be an elaborate statement that outlines exactly what success will entail. Or it might simply be a commitment that no one will fail. Either way, the vision must be communicated clearly.

### PART OF THE GROUP

Once the vision is communicated, the leader must demonstrate continually that she is a part of the team. She

will work as hard or harder than anyone else to achieve the goal.

No prima donnas here. Everyone is a part of the team. Respect will follow that kind of involvement by the leader.

### TRUST & EMPOWER

The leader can't do it all. The people (employees) must be trusted to do their jobs. The leader must give them the freedom to use their judgment on daily decisions.

Everyone wants to prove that they are capable of completing the assigned task. Don't limit that component by micromanaging.

### NOT INHERENT

Most individuals have to learn about leadership and then practice and apply those learned skills. That's why good leaders tend to be older with some gray hair.

Take the time to train your shop's leaders. 🌱

### LEADERSHIP LESSONS FROM THE SHACKLETON EXPEDITION

The Shackleton Expedition to Antarctica got stranded. They worked together to survive for two years. Amazingly, no one was lost.

Denis Perkins thought that studying the skills that kept the expeditioners alive would lead to leadership principles that would work well in other environments.

The results are summarized below: 10 leadership skills that work, even when it's a matter of life and death.

1. Never lose sight of the ultimate goal and focus energy on short-term objectives.
2. Set a personal example with visible, memorable symbols and behaviors.
3. Instill optimism and confidence, but stay grounded in reality.
4. Take care of yourself; maintain your stamina and let go of guilt.
5. Reinforce the team message constantly: "We are one; we live or die together."
6. Minimize status differences and insist on courtesy and mutual respect.
7. Master conflict, deal with anger in small doses, engage dissidents and avoid needless power struggles.
8. Find something to celebrate and something to laugh about.
9. Be willing to take the big risk.
10. Never give up—there's always another move.

Source: Leading at the Edge: Leadership Lessons from the Extraordinary Saga of Shackleton's Antarctic Expedition, Denis T. Perkins (American Management Association).

# DIRECT ORDERS: PROS & CONS

**I**t's not unusual to hear retail florists talk about sending orders direct rather than going through a wire service. This involves the sending florist giving the filling florist a credit card number to charge 80% of the gross order.

Seems simple enough. The sending florist saves a monthly wire-service subscription fee. The filling florist receives a little more to fill the order.

It's sounds like a win-win. But is it?

## A LITTLE HISTORY

There's nothing new about sending wire orders directly. That's how it was done before wire services came into existence. It's also the way many small florists, who couldn't qualify for a wire service, sent their orders well into the 1960s.

But the old system was far from perfect. Wire services came into existence to provide many benefits:

- guaranteed payment;
- one-statement billing of many orders;
- assurance that receiving shops were qualified.

Using a credit card when sending direct orders can pretty much provide the first two benefits, but the third can still be an issue.

Wire services today do so much more than merely clearing orders and payments.

## THE ECONOMICS

**Rebates.** When you send an order direct, you do not get a rebate. Depending upon your shop's size, wire-service rebates can add up to thousands of dollars per year. Much more than the service's subscription fees.

Even if yours is a smaller shop, the rebate from just 30 or so orders a month will cover most of your

monthly cost to belong to a major wire service.

**Credit Card Programs.** Wire-service credit card rates typically are much better than retail florists can get on their own. Often, 0% clearing for a certain volume, and low rates thereafter.

**Added Sales.** Wire services bring you incoming orders, which have many benefits. Incoming wire orders are incrementally profitable, help pay designer wages and increase the flower volume in your shop.

In the case of Teleflora, florists also gain extra local business, thanks to Teleflora's advertising of holiday arrangements.

**Technology & Support.** Wire services have the size and resources to develop floral management systems for all shop sizes. Even more important, they have enough users to provide ongoing customer support and software development.

**Marketing Materials.** Flyers, statement stuffers, ad slicks, window banners and point-of-purchase collateral are just a few of the marketing materials prepared by wire services.

Many of these tools are free. Others are available for substantially less than what a florist would spend to create them on their own.

**Publications.** Like, say, *Floral Finance*. The many wire-service

publications are a valuable source of information for running a successful flower shop. Timely and reliable content to help you be more profitable or more creative.

**The rebate from just 30 or so orders a month will cover most of your monthly cost to belong to a major wire service.**

## SUCCESS THROUGH CONNECTIONS

Small business is a major economic contributor around the world. In North America, small business is consistently responsible for creating more jobs than big businesses do.

Small businesses perform best when they are connected by an association which provides services and benefits they couldn't get on their own. In the floral industry, wire services are that association.

So, when you think about going without a wire service and sending orders direct, reread this article.

Your wire service more than pays for itself through rebates, credit card programs, incoming orders, and a host of other products and services that help you become a better and more successful professional. 🌸

## FAMOUS FINANCIAL WORDS

"In the business world, everyone is paid in two coins: cash and experience. Take the experience first; the cash will come later."—Harold S. Geneen

"Commerce links all mankind in one common brotherhood of mutual dependence and interests."—James A. Garfield

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# INQUIRIES & ANSWERS Letters

## DELIVERY ZONES

*“What’s the best way to set up delivery zones?”*

### Base the zones on zip codes.

Every florist needs delivery zones. Even shops in small towns need to charge more for rural deliveries. Remember, delivery is one of the most important services you offer. It sets you apart from mass marketers. You should make a decent profit on such a valuable service.

To set zones, plot your last (or next) 100 deliveries on a map. See where the bulk of your orders go, and then set your standard charge for that area. Increase the charges as the zones get farther away.

Basing zones on zip codes makes it easy for your salespeople to quickly know what the delivery charge will be.

## LEAVING FLOWERS

*“Are there rules on when it is okay to leave an arrangement for a customer who is not there?”*

### Only general rules.

There are no hard rules on when it is safe to leave an arrangement. If the weather is bad, you certainly don’t want to leave it outside. If the weather is fine, you have to consider the neighborhood. Will the arrangement still be there when the customer comes home?

By far the best approach is to leave the arrangement with a neighbor and put a note on the recipient’s door, explaining what you did.

Any time you leave an unattended arrangement, you run the risk that something will happen and you will have to replace it. However, Amazon and UPS leave unattended packages on doorsteps all the time. So, in most cases, the risk is minimal and the gains are more than worth it.



## NORMS

### EMPLOYEES



**M**ost retail florists have four or fewer employees. About two-thirds of the approximately 13,000 retail flower shops that report a payroll for tax withholding purposes, to be precise.

Only a handful report 100 or more employees. These statistics are just another indication of the relative size of retail florists. We are an industry of small businesses.

So, the next time you’re tempted to think you are the only small florist, think again. The industry is mostly made up of small retailers.

*Source: U.S. Statistics on Business by County*

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