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QUICKTAKES

*Ideas You Can Put
to Work Immediately*

1 Squeaky Clean

Think of the policies you use with your employees and customers. How would you feel if those practices were printed in the newspaper?

If the idea makes you uncomfortable, you should rethink what you are doing. Policies or practices that would prove embarrassing are probably working against your long-term success.

2 Disagreements

If you're in a disagreement, focus on the issue rather than the person. The disagreement is not something the other person is doing to you. It is, rather, a challenge the two of you must solve.

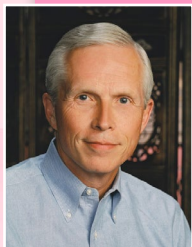
Avoid global statements, such as "You always..." or "You never..." Statements like that probably aren't true and rarely move a conversation forward. Also, concentrate on a single issue at a time. Work on that until it is resolved. Then, move on.

3 Take Action

Too often, we learn new things that expand our base of knowledge but we don't do anything with that knowledge.

Capitalize on your learning. Put new ideas into immediate action. When you do, you will have turned education into practical application.

SELF-IMAGE



What do you think of yourself? Really! Be honest.

Do you see yourself as a winner?

Do you think you can get things done but that it will always

be with a struggle?

Do you see yourself as a victim or a failure?

How you think about yourself makes all the difference when it comes to performance and quality of life.

Zig Ziglar says, "You cannot consistently perform in a manner that is inconsistent with the way you see yourself."

If you see yourself as a loser or a so-so performer, you will only occasionally do better than your perception. Similarly, if you see yourself as a high achiever, you will consistently achieve.

You can do many things to change your self-image. First, make it a practice to think positive thoughts. Positive thoughts will lead to more optimism and a brighter outlook.

Medical research has shown that thoughts affect the whole body. Positive thoughts produce more energy and motivation.

So replace negative thoughts with positive action. If you think a negative thought about someone in the shop, do something nice for that person or engage them in a positive conversation.

Every positive thought will improve your self-image. And the better your self-image, the better your performance.

A stylized, handwritten signature in black ink that reads "Paul Goodman".

Paul Goodman
Editor

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BEYOND VALENTINE'S DAY

MAKING \$URE YOU GET PAID

If you're reading this article before the Valentine's rush hits, you have time to do a bit of cash planning.

If you are reading this after Valentine's Day, don't delay. You still have time to take a few steps to ensure that you get your cash more quickly.

February is the third largest sales month of the year, behind May (Mother's Day) and December (Christmas). Getting paid for all of those Valentine's orders is particularly important because revenue slows significantly during March and April.

HOUSE ACCOUNTS

Not all sales represent immediate cash. Thanks to house accounts, cash is often tied up in receivables.

Whenever you extend credit, some risk is involved. Especially when you don't have a history with the customer or when the amount of money involved is significant. And many Valentine's customers are people with whom you've never before done business.

Even so, with careful preparation and follow-through, you can guard against some of the biggest dangers of receivables.

ONE SOLUTION

The easiest and most foolproof strategy to protect yourself from bad debt? Don't extend credit at all.

Many florists have taken this approach, moving from house accounts to credit-card-only policies. Little by little, they're phasing out the use of house accounts entirely.

It's a reasonable strategy. First, your bad debt risk is virtually

eliminated. If you get the proper authorizations, the charge is almost always good.

Second, when you eliminate house accounts, your bookkeeping and accounting are greatly reduced. No need to create receivables accounts, track payments and make decisions about write-offs.

Third, getting your money becomes a matter of simply submitting the charge to the bank or servicing company. No need to send multiple statements and make repeat calls to slow-paying customers. You get your money immediately.

Fourth, the cost of clearing a credit card is actually less than the cost of doing your own billing.

Credit cards offer benefits to your customers, as well. Customers can write just one check each month to take care of a variety of expenses. Plus, many card issuers offer attractive incentives, such as frequent flier miles, bonus points and/or buyer protection plans, that your house accounts simply can't match.

CREDIT CHECKS

At the same time, discontinuing house accounts is not an option for many florists. Long-term clients may have come to expect the accommodation. Maybe the florists just like to do business that way.

If you choose to extend credit, do so very carefully. As a prudent manager, it's your responsibility to ensure that customers make good on their accounts.

An up-front credit check through a credit bureau (or on your own) can show which applicants are creditworthy. However, a credit check is not practical for every applicant. The time and expense are simply too great.

A reasonable middle ground? Do credit checks only for major corporate accounts. The big-ticket nature of their purchases justifies a little extra caution.

Have everyone else fill out a basic application form. Include credit references, place of employment, contact information, etc.

PLAN AHEAD

Even if you are working to move away from house accounts, you may still have a big pile of receivables from the 2017 Valentine's season. If so, your focus has to be on collecting the current crop of receivables.

Most florists can immediately improve their collection efforts by following two simple pieces of advice: Bill early and bill often. These are the keys to ensuring that you get what's coming to you.

The sooner you can bill customers, the better. If you only send statements at the end of the month, you're waiting too long. With that approach, purchases charged early in a given month won't have to be paid for almost 60 days.

What about the other extreme?

Billing on a daily basis will require too much time and trouble for most shops. Daily billing can also inconvenience frequent purchasers, who would be overwhelmed with a profusion of nickel-and-dime bills.

Weekly billing, however, is a reasonable goal. It's only moderately

more work than a monthly schedule but frequent enough to ensure that you get your money sooner.

Whatever invoicing schedule you settle on, follow up with a month-end statement showing the charges that are still open.

TAKE ACTION

Chances are, some accounts will still show a balance due at the end of 30 days.

When this happens, it's time to spring into action. Contact customers as soon as their accounts become overdue. The very next day, if possible or at least within the week.

Then, follow up at a fairly rapid clip. The following schedule shows one way to keep the pressure up.

31 DAYS	CALL AND FOLLOW-UP LETTER
45 DAYS	SECOND CONTACT
60 DAYS	THIRD CONTACT
75 DAYS	COLLECTION AGENCY

Make each contact a little more serious than the one before. In each communication, spell out what you expect from the customer, as well as what you'll do next if the matter isn't settled.

Then, do exactly what you say you're going to do. Every time. Your customers will learn that you mean business.

Slightly overdue accounts get a gentle reminder.

Seriously overdue accounts get turned over to collections. If your efforts to encourage payment have been to no avail, sending them to collections is your only option. No matter what promises you've been given. No matter how long the customer has done business with your shop.

When people know they won't be able to hide in the system, they're much more likely to respond quickly and positively.

Occasionally, a little flexibility can buy you a lot of goodwill.

If you request payment by Friday, for example, and the customer tells you he gets paid the following Tuesday, consider granting a brief extension. Most customers want to—and will—make good on their promises in that type of scenario.

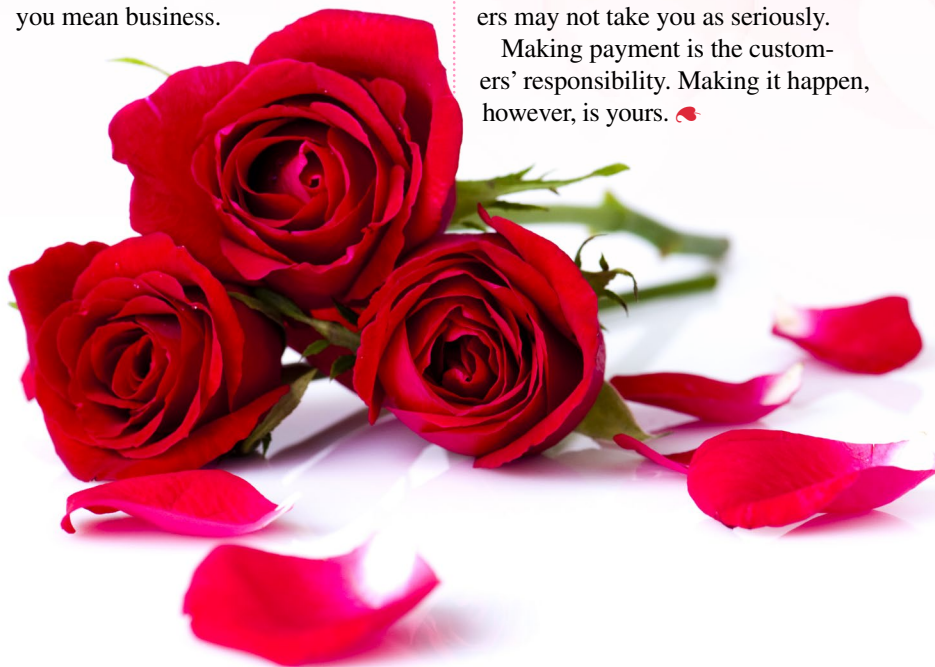
Personal calls and thoughtful follow-up letters let customers know that they're dealing with a person, not a machine.

...

Collecting overdue accounts may never be your favorite part of the job, but it doesn't have to be the worst. After all, you're only asking for what is owed you. There's no need to be embarrassed or dread making that call.

If you are confident and professional, customers will usually respond in kind. If you are nervous and sound unprofessional or apologetic, customers may not take you as seriously.

Making payment is the customers' responsibility. Making it happen, however, is yours. 🌹



Your Financial Team



From payroll to payables and from house accounts to tax returns, the financial tasks you face are many and varied.

Some of the tasks are routine. Others are extremely complicated.

All, however, are important.

One thing is for sure: Putting your company's financial affairs in order can't be a one-person or one-dimensional job. It takes the skills of several different professionals and the use of technology.

First, you need a good accountant: a financial expert who designs the shop's recordkeeping and tax reporting systems, the way in which your financial transactions will be handled, the types of records you will keep and how your taxes will be paid.

Next, you need the advantages that technology offers: a good, reasonably up-to-date computer and floral-specific software that can simplify the record-keeping process.

Last, you must have one or more skilled bookkeepers. These professionals do much of the day-to-day work on the financial assembly line, such as recording sales and disbursements, sending invoices and making deposits.

With those broad outlines as background, let's see how the accountant, the computer and the bookkeeper work together in practice.



THE SYSTEM

Why are financial systems and controls so important? Because the typical flower business is far more complex than its size would indicate.

Look at just a few of the areas that can complicate your life.

- **Cash.** Cash sales don't leave the same kind of trail as those involving a check. You must track them accurately.
- **House accounts.** Billing customers for their purchases might be good business for some

florists, but it definitely creates a lot more work.

- **Wire order accounting.** A nightmare for the unprepared.
- **Controlling cost of goods sold (COGS).** Keeping product costs in line requires that you track COGS for each separate product area.
- **Design labor.** Is your design productivity sufficient, given the wages you are paying your designers?

It takes a real financial pro to create a system that will allow you to handle all of these issues efficiently

and profitably. Ideally, your accountant should be someone with not only basic financial expertise but also experience in the floral business.

A flower shop's financial systems can be grouped into seven basic areas. With your accountant's help up front and the continuing assistance of a good computer system and a competent bookkeeper, you can manage all of the systems successfully.

Payroll

Payroll involves a lot of paperwork and number crunching.

Calculating withholdings and deductions.

Preparing checks. Making tax deposits. Preparing quarterly and other payroll tax report forms.

The process can be extremely time-consuming. And the tasks are not something you can put off. Your employees want their paychecks on time. The government is equally interested in receiving the required withholding and payroll taxes when they are due.

That's why it's often best to leave payroll to an expert. One good answer is a payroll service bureau, such as Paychex or ADP. Payroll services process and prepare other companies' payroll. That's their whole business.

Cost? Just a few dollars per employee per pay period. Well worth it in most cases. The time-savings for you will be enormous. Just as important, these highly trained and experienced professionals will almost certainly be more accurate than you would be if you did the work yourself.

If you want a more personal touch, a local CPA also may be able to do the job for you. Accountants do many different things. They aren't as focused on payroll as a pure service bureau. They're also probably a bit more expensive. But a local accountant will know your individual business intimately. And that's a nice benefit.

Receivables

The moment you decide to accept house accounts, you commit yourself to some significant bookkeeping responsibilities.

Good floral-specific technology will help. The computer won't save you from having to input all of the names and numbers. It can, however, automate many of the processes.

Invoices and statements can be printed out with a few keystrokes. The software also can summarize the status of your outstanding accounts and you can print reports reflecting your status.

And, as a side bonus, the customer files you build can be used for database marketing. You can easily send targeted mailings to specific customers or groups of customers.

Disbursements

Although not as complicated as receivables, processing payables and other disbursements is an equally important financial responsibility.

Tracking due dates and writing checks are only the beginning. Your bookkeeper also must use the correct general ledger codes to allocate all of the expenses properly.

Getting into the payables portion of your financial software takes a few minutes. So will inserting and aligning your check stock. So, it's more efficient to process a batch of checks at once, rather than doing them one at a time.

Once your accountant has set up the shop's general ledger, this is mostly a mechanical process.

Daily Cash Control

Each day, the shop receives cash from walk-in sales and payments on accounts. And, each day, you have to account for all of the currency, coins and checks that come in.

How much cash did you receive? What were the payments for? What's your total deposit for the day?

It's the bookkeeper's job to keep everything straight. Tracking the payments. Making the deposits. And always being aware of how much money you have in the bank.

Statements

You have done the shop's payroll. Receivables are being processed efficiently. You're on top of your daily cash transactions. And your bills are consistently paid on time and coded accurately.

You now have to see what all of the numbers mean. Is the shop profitable? Are there any areas in which you need to do better? What's working—and what's not?

Every flower shop should be receiving good and timely monthly financial statements. If the general ledger is set up correctly and deposits and disbursements have been coded properly, creating the statements isn't too difficult.

A few florists actually choose to prepare their own statements based on the data that was captured throughout the month.

IT'S OFTEN BEST TO LEAVE PAYROLL TO AN EXPERT

However, most shops compile all of the data and then have their accountants produce the statements.

Making Sense

If you aren't schooled in finance and accounting, you may not understand what all of the numbers on your financial statements mean.

Are COGS in line?

How about payroll?

If you are profitable, why don't you have much money in the bank?

Where are your most profitable sales coming from?

It takes knowledge, experience and expertise to make these judgments.

Some bookkeepers are capable of answering these questions. Others are not. They are more technicians than true floral financial professionals.

An accountant who understands the industry can supply the perspective you need and help you make any necessary course corrections.

Using an outside expert brings another advantage. He or she will give

you an unvarnished, objective opinion. Someone who is your employee may be hesitant to tell you the painful truth.

Tax Returns

When you close the doors on December 31, you can't quite close your books. There's still the little matter of income taxes.

Subchapter C corporations will have to pay corporate income taxes. S corporations, LLCs, partnerships and sole proprietorships must file tax returns that include the business income that has been passed through to the owners.

The tax arena is no place for amateurs. Unless you have particular expertise in this area, hire a true tax professional to prepare your tax returns.

TEAMWORK

As you select an accountant to help guide your business toward profits, five questions should be uppermost in your mind:

1. Given the skill level of your in-house bookkeeper, how strong of an outside accountant do you need?
2. Does the accountant have expertise and experience in small business, preferably the floral business?
3. How accessible is he or she? Can you get the advice you need when you need it?
4. What fees will you be charged? Do those prices represent a good value, considering the services you will receive?
5. How is the accountant's reputation in the community? Do you know any current or former clients? How satisfied were they with the level and quality of the professional's work?

Accountants, technology and bookkeepers are the three key members of your financial team. Use them wisely to ensure that your shop's finances are handled efficiently and effectively. 🌸



THE FAMILY BUSINESS

DOING IT THE WRONG WAY

Running a small family business can be very rewarding. It also can be a real challenge.

Your resources and personnel are limited. The difference between making and losing money is often small. To be successful, you have to be careful.

Here are some of the mistakes you must avoid to build and sustain a successful family business.



But if you succumb to this temptation, your shop could quickly become cash strapped. You may not be able to make payroll during slow periods. You may not be able to buy enough inventory for the holidays.

To get by, you may stretch your payables or borrow money. Soon the shop could be in serious financial trouble.

To help avoid this situation, pay all family members

a reasonable salary. Don't let anyone (including yourself) take anything else out.

Instead, declare bonuses and distribute excess cash at the end of the year if the shop has been profitable.

PREOCCUPATION WITH LIFESTYLE

This is a variation of milking the cow. When you work for someone else, you may think about enhancing your lifestyle, but you have to live within your income. You can't take out extra money whenever you want.

When you own the business, it might seem easy to open the register, pull out cash and buy something you can't afford.

UNWILLINGNESS TO REINVEST

You must have the financial discipline to keep money in the business.

The shop will eventually need new vans, new coolers and new fixtures. Maybe even a new building. Just as opening a new shop required investment, an ongoing business has various needs that must be funded.

Build up the shop's cash reserves so you will be ready to meet those needs. That commitment will make for a healthier balance sheet—and much better sleep at night. 🍀

FAMILY FAVORITISM

The common term is nepotism, which is defined as "favoritism toward relatives in giving employment."

Creating opportunities for family members is part of what a family business is all about, but that only works within the context of what's best for the business. You want to give family members every chance for success, but not at the expense of the business.

The issue has to do with competence. Is the family member able to carry out his or her role successfully? Is it a good fit, both personally and professionally?

If the answer is "yes," go for it. If the answer is "no," give the position (or task) to someone else.

Sometimes, you won't know if a family member has the skill set necessary to complete a given assignment. In that case, your next step depends on how critical the function is. If the business can't afford a failure, find someone you know will succeed. If you can accommodate a trial period, giving the family member a shot is a good idea.

Just make sure that your expectations are clear. If the family member can't meet the standards, move quickly to get the right person in the job.

RELATIONAL STUMBLES

Interpersonal skills are important in any business. Conflicts must be resolved quickly and with as few ruffled feathers as possible.

A family business presents an additional layer of relational challenges. It's not only about business.

A supervisor wanting to maintain family harmony may hesitate to criticize a relative's performance on the job. Or family members who are having issues outside of the shop might not want to address problems at work for fear of straining their relationships even more.

There are no easy answers here, except to say that you must be able to separate personal and work relationships. Agree in advance that everyone must be free to speak up about business problems—and that doing so won't be held against them personally.

That policy won't solve all issues, but it will help you set boundaries.

PERSONAL DISTRACTIONS

When you live and work with someone, it is easy to bring personal issues into the business. Issues at home can easily get in the way at the shop.

Once again, keep the two worlds separate. When you are at the shop, focus on the business. Leave personal issues to be handled after hours.

MILKING THE COW

Small business owners may be tempted to treat the company bank account as their own. If the owner needs more cash, he or she may eye the business' account as a personal resource.

Gift card sales bring both marketing and financial advantages. On the financial side, the biggest is that you get to use the purchaser's money until the card is redeemed.

Accounting for gift card sales and redemptions, however, raises some thorny questions.

THE PROCESS

Each time you sell a card, you realize revenue. You also create a liability. Your shop is obligated to give the cardholder products or services in the future equal to the value of the card.

For good financial control, it's important to track the obligations you have incurred. You do this with an account in the current liabilities section of the balance sheet, usually called gift cards payable.

When set up correctly, your point-of-sale (POS) system will automatically make the necessary entries as you sell and redeem gift cards.

You can check your financial statements at any time to see how much cash you have received from gift card sales that have not yet been redeemed.

Properly managing gift card sales involves three primary steps.

1. Set strict procedures for handling the cards.

Because gift cards are just like money, you must be as careful with them as with your cash. Keep your unused stock in a safe place.

Today's gift cards are easy to use. Your POS system can track both the creation and redemption of the cards. Much simpler than the old gift certificates. With those, you had to manually track the certificates and prevent fraudulent transactions.

For even greater control, put an expiration date on the cards—maybe six or 12 months after the date of issuance.

GIFT CARD SALES AND REDEMPTION

FLORAL FINANCE

That forces the recipient to come in within a reasonable period of time so that you can close the books on the transaction.

Beware that some states do not allow expiration dates on gift cards. Stay within the laws of your state.

However, beware that some states do not allow expiration dates on gift cards. Stay within the laws of your state.

2. Set up a gift card sales account.

This account needs to be in your POS system the same as any other sales category, but the similarity ends there. When someone buys a gift certificate, you really didn't sell anything. In essence, your customer gave you money in advance for a purchase that will be made later.

The general ledger account assigned to this sales category will appear as a liability on your balance sheet. Most

often, the account is called gift cards payable.

When a gift card sale is made, ring it up in your POS like any other sale. The POS system will make sure the sale is coded to the balance sheet account.

3. Redeem the gift cards.

When a gift card is presented for redemption, the POS system does most of the accounting work automatically.

The POS system should include gift cards as a form of payment just like cash or credit cards. When a card is presented for redemption, the POS system will give credit for payment to gift cards and then reduce the gift cards payable account on the balance sheet by a comparable amount.

GIVE CHANGE

Some retailers require that the entire gift card amount be used on a single purchase. Don't make that mistake.

Handle the gift card just like you would a large bill. Give change when it is required. That's reasonable.

Your customer will almost assuredly be unhappy if you force them to spend more, rather than giving change. Why not keep them happy? After all, you've had use of all of the money since the time you sold the card.

Sell those gift cards! And when you do, make sure you properly account for the transaction. 🍀

FAMOUS FINANCIAL WORDS

"Doing unimportant things for customers—even when they're done superbly—doesn't give the company any credit in customers' eyes."—Leonard Berry

"If all the rich men in the world divided up their money amongst themselves, there wouldn't be enough to go around."—Christina Stead

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NORMS

BUSINESS RULE



It's a basic rule of business: 80% of your revenue comes from 20% of your customers. (And 80% of your problems come from 20% of your customers.)

Make a list of your top 20 customers. How much of your shop's total sales do they account for? What have you done lately to promote your relationship with these key customers? If you give them a little more attention, could they generate even more revenue?

The point is to focus your energy where it has the potential for the biggest return.

Remember 80/20. It'll keep you focused in the right direction most of the time.

INQUIRIES & ANSWERS LETTERS

PRICING SETS

"Is there a formula for pricing individual items in sets or nests?"

There certainly is.

The following chart should help. First, determine the cost for the entire set, including freight. Then multiply that cost by the percentages shown on the chart.

Set of	#1	#2	#3	#4	#5	#6	#7
2	43%	57%	—	—	—	—	—
3	25%	33%	42%	—	—	—	—
4	17%	22%	28%	33%	—	—	—
5	10%	15%	20%	25%	30%	—	—
6	9%	11%	15%	18%	22%	25%	—
7	7%	10%	12%	14%	17%	19%	21%

Note that item #1 is always the smallest size in the set or nest.

INVOICES OR STATEMENTS?

"I send out statements at the end of each month. My fellow florists say I'm missing the boat. Should I be sending out invoices during the month?"

Only if you want to get your money sooner.

The sooner someone gets a bill, the faster they will pay. And that's not just because they receive the bill sooner.

If it takes you a while to send the bill, the customer will usually take a while to send you the check. Often, the customer will wait about the same amount of time you waited to send the bill. The good news? If you invoice right away, customers will usually pay right away.

There is no better time than now to change your billing procedures. Invoicing during the month (at least weekly) is definitely in your best interests.

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