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## QUICK TAKES

Time to Plan for  
*Mother's Day*

### 1 Sales Projections

Projecting Mother's Day sales so you can buy product accurately is not always easy.

The best way to estimate Mother's Day sales? Look at how your Christmas, Valentine's Day and Administrative Professionals' Day sales compare to the previous year.

Holiday sales are stronger than everyday business. So, whatever trends you experienced on those holidays will most likely hold true for Mother's Day.

### 2 Advertising

What are you going to emphasize in your advertising plan for Mother's Day? What media will you use? How much will you spend?

Don't forget to allocate some of your advertising budget for ad creation. The creative work often will cost more than you expect, especially when you use outside services.

### 3 Staffing

Remember, profitability depends largely on how well you control payroll. Look at last year's daily sales leading up to Mother's Day. Determine how many hours of design time you will need each day.

Also keep in mind that you can increase your design staff's production by 50% by using standard recipe arrangements. This is a terrific way to get the most out of your payroll.

## BURNOUT



Just as being down is not the same as being depressed, occasional dissatisfaction with your work is not the same as burnout.

Everyone is unhappy once in a while. Burnout is more serious. The joy has gone out of work. Just thinking about it makes you tired. Burnout is a chronic condition that goes on for weeks or months.

If you think you are in the midst of burnout or may be a candidate, here are a few things to consider.

The cause of burnout varies. It could be the work itself, the work environment or even life outside of work. Whatever the cause, the first step to a solution is determining the source of the problem.

Have you enjoyed your work in the past or has it always been just a means to an end ... something you have to do to earn a paycheck? If the work once was enjoyable, the cause may lie elsewhere.

Usually, burnout is related to an unhealthy work environment. Poor management. Destructive relationships with co-workers. It also often is simply a function of working too hard for too long.

Sometimes the source isn't work related. You're simply not getting enough of a break. Your life doesn't include enough leisure activities. Balance is imperative to enjoy life.

When you have identified the cause of burnout, determine the changes that will be required to reverse course. Take the time you need to rest and re-create yourself. And be patient. It took you a while to get where you are. It will probably take a while to get you out.

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## MANAGEMENT ESSENTIALS

### *Building Your Customer Base A Planned Approach*



Everyone wants more sales. Growth is central to profitability and survival. It adds excitement to your store and provides greater opportunities for you and your staff.

However, unless you live in a community that is growing by leaps and bounds, it will take effort to build more revenue. The more focused that effort, the better the results will be.

#### **'KNOW THYSELF'**

This saying is not just a concern of philosophers. In order to efficiently build your customer base, you need to understand the basics about your business.

#### **What products and services do you offer?**

This may seem like an obvious question with a simple answer. However, you need to go deeper than just "I sell flowers and arrangements."

Look at how your sales break down. What percentage of sales come from products? What percentage from non-product sales?

Product sales are tangible items that can be carried out of the shop. Non-product sales are services,

such as delivery and outgoing wire orders.

Of your product sales, what percentage comes from arrangements? Green plants? Blooming plants? Loose flowers?

In the arrangement area, break down sales by type and occasion. For example, how much of your arrangements volume is sympathy or wedding work?

#### **How are sales trending?**

Track sales information over several years. You need to be able to see consistent trends. Where are sales increasing? Decreasing?

In your analysis, consider both dollar amounts and percentages of total sales. All sales categories might be increasing in dollar terms; how-





ever, one area may be growing faster and accounting for a greater share of your mix today than it did two years ago. If so, you'll want to build on that trend.

### Where are your sales coming from?

Start by breaking down sales into local telephone orders, local orders sold in the store and internet orders.

Next, identify the types of customers who buy in each way. Is there a difference in the average order size from each source? Are occasion sales spread equally through all three order methods or more heavily concentrated in one source versus the others?

Example: You might find that customers who buy in the store make smaller loose flower purchases as compared to those who purchase over the phone or internet.

Does your shop lend itself to walk-in traffic? Are the customers primarily from your neighborhood, or do you serve a much larger market area?

### How important is delivery?

Service is what distinguishes a retail florist from other floral competitors.

And delivery is the single most important service item for most shops.

What percentage of your local orders require delivery? Is there any difference among your various customer groups?

If delivery is a priority service with your customers, keep that in mind when identifying the new markets you want to pursue.

### What do you do best?

Be careful with this question. There may be a significant difference between what you think and what your customers perceive.

To get the best perspective, seek both staff and customer feedback.

Ask your most frequent and most loyal customers what they think your best products and services are. Then, ask why those products and services are so important.

You soon will have a clearer picture of why people like to do business with you.

### Where do you want to go?

Once you have a solid grasp of where your business is today, think about where you want to be tomorrow.

You might be perfectly satisfied with what you are doing. All you want is to do more of it.

On the other hand, you might want to move in a new direction by adding different products and services for new customers.

Example: If you want to build walk-in traffic but your shop is located off the beaten path, you may have to consider changing your location. You won't be able to build much walk-in traffic if you're too isolated from your target customers.

It's okay to think big and outside the box. However, you also need to be practical. It is much easier to build on your current strengths than to start in a whole new direction and try to attract a new clientele.

### TARGET NEW CUSTOMERS

Now that you know who you are and where you want to go, you're ready to make some plans. Where will you spend your money and energy? What strategies will you use to add customers and build sales?

Will you seek new commercial accounts or more individual consumer sales? Depending on your goals, you

could target local businesses or women 35 to 50 with ample discretionary income.

Whom you select will determine how you go about promoting your business.

If you decide to seek more corporate sales, you may want to begin regular calls on the business community. Lots of cold calls and introductions.

On the other hand, if you want to build individual consumer sales, you might increase your community involvement, develop a program to gain referrals from present customers, improve your website and increase your social media presence.

The goal dictates the plan.

### SLOW & STEADY

Very few businesses experience wild, dramatic growth. Expect significant sales growth to take some time.

**Delivery is the single most important service item for most shops.**

In forecasting the future, there's a helpful little rule called the "Rule of 72." You can use it in two different ways.

Divide 72 by your expected annual growth rate to see the number of years it will take to double your sales. Example: If you plan to grow at 9% per year, divide 72 by 9. You will double your sales volume in 8 years.

Or if you want to know how fast you must grow to double sales in a certain number of years, divide 72 by the number of years. The answer will be the percentage of growth you need to realize each year. Example: To double sales in 3 years, divide 72 by 3. You will need to grow at 24% per year to double your sales in three years.

Set out on a long-term path and follow through. Be consistent. Be persistent.

### IT'S DONE EVERY DAY

Businesses all around you are growing their customer bases and their top lines. You can do it, too.

However, just as you didn't become a great designer and build a creative reputation overnight, growing your business will take time.

Follow the steps outlined above. In a few years, you'll look back and be glad you took the time to do it right. 🌸

# MANAGEMENT ESSENTIALS



## Cash Control & Sales Analysis

**C**ash control sounds simple enough. Make a sale. Get paid. Deposit the cash. But in reality, there is a little more to it than that.

The other day I was reviewing a financial statement for a retail florist. The cash over/under expense account showed the shop's cash was under for the month by more than \$2,500.

The cash over/under account is designed to track how accurately you made change during the month. Everyone makes mistakes. Sometimes you give too much change. Sometimes too little.

At the end of the month, the total normally ends up less than \$20 one way or the other. So, how could this florist have been \$2,500 short in one month?

Poor cash control.

Most likely, employees are using cash to purchase items for the shop without leaving a receipt. Perhaps someone is stealing from the shop. Without proper cash control, there's no way to know.

Controlling cash receipts on a daily basis is the heart of your financial control system.

### DAILY CASH CONTROL

Daily cash control requires five activities:

1. Handling and recording the sales for the day.
2. Tracking how payments for those sales were made.
3. Accounting for payments on receivables (also called ROAs, short for received on account).
4. Handling paid-outs properly.
5. Making the various deposits to your bank account.

Today, most of this information is captured by your point-of-sale (POS) system.

Before computers, daily cash control was tracked on one or two large spreadsheets. Each day was listed down the left side of the sheet. Across the top, the sheet was divided into columns, each labeled for one of the cash receipts or sales categories.

Today's POS systems handle these tasks and printouts as a byproduct of entering sales and cash receipts data.

The money and other receipts are counted and balanced against sales every day. At the end of the month, the totals on the computer printouts represent the core data to input into the general ledger for your financial statements. Most POS systems will download that data directly to a general ledger program, such as QuickBooks.

### THE DAILY TASK

At the end of each day or before the next morning's opening, count the cash, checks, charges and petty cash receipts in each POS drawer. Compare the totals to the end-of-day Z-tape to confirm everything balances. This daily task is the heart of your cash control system.

By balancing each drawer, you can see how the sales were paid, the amount spent on petty cash items, the money you collected in ROAs, and the total by which your cash was over or under for the day.



A large discrepancy will alert you to any theft that may have occurred, before you forget who was working where and when. (See the steps below for details on counting your cash drawers.)

### PAID-OUTS

A good paid-outs system is an important part of daily cash control. Whether you use a petty cash fund or take cash directly out of your POS drawers, you need adequate documentation procedures and proper safeguards against theft.

Don't treat your cash register like the cash in your wallet. The cash in the drawer is not yours to spend as you please. It belongs to the business and should be used only for business purposes.

Every time cash is taken out, a receipt (and any change) should be placed back in. Without receipts, your cash will not balance, and your cash over/under account will be distorted.

### GIFT CERTIFICATES

Gift certificates need special attention.

When you sell a gift certificate, you take in cash but you don't really provide any service or product at that time. Instead, you give the customer the right to receive a service or product at some date in the future. In reality, you incur a liability when you sell a gift certificate.

The easiest way to handle the accounting is with a gift certificate payable account (under current liabilities on the balance sheet). You also will need a non-product sales category called gift certificate sales. This category should be in your POS system, but it will not appear on your income statement (remember, it's accounted for on the balance sheet).

When setting up your POS system, the proper general ledger code for gift certificate sales is the account from the balance sheet, not a regular sales account.

Your daily cash control procedures will now be able to balance the receipts against the sales. Gift certificate sales will be credited to the correct balance sheet account rather than a sales account.

Fortunately, all Teleflora POS systems are set up to handle gift certificates properly.

### DAILY SALES ANALYSIS

The daily sales analysis is another part of daily cash control. It's an outcome of entering sales data into your POS. Your POS will summarize all your sales for the day by the sales categories you have set up.

The daily sales reports create the monthly sales totals for your income statement. Daily sales totals will be off if sales are not rung properly (or at all). Your receipts won't match your sales.

An important result of tracking daily sales is that you will know the sales for each day leading up to a holiday. With this helpful management tool, you can quickly compare your sales to the previous year, and then adjust your buying, advertising or staffing as needed.

Example: Last year, you sold 2,500 poinsettias, with 1,500 going out in the first two weeks of December. Since your sales have been running at or a little ahead of last year overall (your daily sales analysis confirms that), you bought the same number of poinsettias for this year. However, by mid-December the daily sales analysis shows you have sold only 1,200 poinsettias so far, compared to the 1,500 last year at this time. You immediately know you could be in trouble. So, you advertise a special to avoid ending up with an oversupply.

Without a daily sales analysis, you would not be able to spot and quickly respond to the problem.

### TIGHT CONTROL

One day at a time. That's the best way to tackle cash control.

If you make sure your cash balances each day, your accountant won't call you with any surprises at the end of the month. 🌸

**You need adequate documentation procedures and proper safeguards against theft.**

## HOW TO BALANCE DAILY CASH

**The following steps assume you have one POS drawer. If you have more than one, repeat the same steps for each register.**

- Start the day by placing a fixed change fund in your POS drawer. Usually this will be \$100 to \$200. Break it into the appropriate dollar denomination and change amounts.
- Have your employees properly document every paid-out, whether from the POS drawer or through a separate petty cash fund.
- Enter your sales and receipts in the POS as they come in throughout the day.
- At the end of the day, run a Z-tape of all sales and receipts. Take the cash drawer out and go to a quiet spot. Remove all cash, checks, bankcard forms, other credit card forms, gift certificates, coupons, ROA payments and paid-out receipts.
- Count out the exact amount of change you started the day with. Set it aside as your change fund to begin the next day. Whatever is left will be the entire receipts for the day. Count all these receipts and compare them to your Z-tape summary. Track down any major discrepancies.
- Prepare the appropriate deposits for the bank.

# The Importance of a Good Accountant

## Advice From a Seasoned Professional

She spent 18 years running her own business. Like most professional florists, she has experienced the ups and downs of shop life. *Floral Finance* asked her what single piece of advice she would give to new shop owners. Her answer might surprise you.

### THE FIRST PRIORITY

Hire a good accountant.

This florist was in business for six years before she became frustrated enough to know she needed to shift the accounting responsibilities to a professional.

She wasn't doing the shop's accounting because she enjoyed it or had much training with numbers. She simply took it on from the start.

Handling her own accounting was not helping her make a profit. Plus, she desired to be set free to do what she loved most: to design flowers and work with customers.

She wanted her business to be personally fulfilling and enjoyable. However, when the business was not profitable, the financial burden took all the fulfillment and enjoyment out of the picture.

Her solution was to find a good accountant who could handle the paperwork and supply her with the information she needed to run a profitable business. That would allow her to focus on the flowers and her customers.

She knew that someone with a good background on the money side of business could help her understand the bottom line. She could keep her finger on the pulse of the business without having to do all the number-crunching work herself.

### FINDING A GOOD ACCOUNTANT

She decided that the price was probably going to reflect what she got. She

decided to go with a firm that had a good reputation in her area. One that was larger than a one-man show.

She networked to find someone she felt she could trust. In the final analysis, she found an accountant who was a friend of her brother and attended the same church. Her trust level was high.

Of course, that didn't mean the accountant knew a lot about the floral industry. In fact, he and his staff knew little about the industry.

### TRAINING YOUR ACCOUNTANT

Ninety-nine percent of accountants do not know enough about the floral industry to give you the kind of information you need to run a profitable retail flower shop. The major issue is cost of goods sold (COGS).

Most accountants prepare financial statements for retail operations with a single COGS account. That is not good enough. You will never control your design room properly until you have your COGS for arrangements broken out separately from other COGS.

**Most accountants prepare financial statements for retail operations with a single COGS account. That is not good enough.**

The good news is that you can help your accountant understand the industry.

Our florist helped her accountant understand the importance of breaking out COGS. The accountant, in turn,

made sure he was getting the proper information in order to supply separate COGS categories.

Another problem for most accountants is wire-order accounting. They need help to do it right.

Our florist gave the accountant a copy of *The Profit Minded Florist*. It's the industry's only financial manual, and our florist knew it would put the new accountant on the right track.

*The Profit Minded Florist*  
is available from  
**teleflora.**

### KEY DELIVERABLES

Each month, the accountant prepares a set of statements for our florist. In addition to the balance sheet, her income statement is very detailed.

First, it compares the current month with the same month the previous year. Then it compares the year-to-date with the year-to-date of the previous year.

Our florist uses the previous year's performance as a target for the current year. In other words, she wants to do better than she did last year.

The previous year's statement allows her to forecast and budget. When she sees the results of the month compared side by side with the previous year, she can tell exactly how the shop did in every category.

The monthly report reveals which areas of the operation need attention in the coming weeks to achieve the results she wants.

### THE RESULTS

Our florist is profitable. And she enjoys focusing her attention and talent on her flowers and customers, not on crunching numbers. 🌸



# PERCENTAGES: WHAT'S SO IMPORTANT?

**T**he percentages that appear on your financial statements seem simple enough.

You see your telephone expense followed by a percentage. The percentage tells you how much your telephone expense was as a percentage of your total sales.

That's good information. In fact, it's exactly what you want concerning your telephone expense.

The problem is that every percentage on your financial statement is based on total sales. That's the standard way of presenting expenses—and the format that almost every financial statement software package follows.

## FLORISTS ARE UNIQUE

Most accountants view florists as retailers and so approach them like all of their other retail clients. There's the rub.

You are not like all other retailers. You are much more complicated because you not only sell your products to the consumer (like all other retailers) but you manufacture (design) the product you are going to sell. It's the manufacturing that sets you apart.

Consider clothing stores. They buy finished goods, mark them up at a fairly standard rate throughout the store and sell them. They only need to have a single cost of goods sold (COGS) number on their financial statements.

You are not like a clothing store. You have several different products you sell. Some are finished goods, like gifts, on which you probably use a keystone markup (2×). Others are green and blooming plants, to which you apply a 2× to 3× markup and then add a container or wrap that might have a 2× markup.

Then along comes the really tough one: arrangements. You take raw product, combine it with a container and supplies, use your design time to manufacture it, and then sell it to the consumer.

All those elements must be accounted for if you are going to be profitable.

## MANUFACTURING

The manufacturing process of arrangement sales is where most retail florists take their losses. They don't monitor all the costs properly or don't follow their pricing formula.

In order for a retail florist to be profitable, you have to know what your COGS is for arrangements. It needs to be separated from all the other COGS.

Why? Because only when you separate them can you know how well you are doing.

## BACK TO PERCENTAGES

That brings us back to the percentage issue. Your COGS for arrangements must be divided by total arrangement sales, not total sales.

The pricing formula you use has associated COGS that are mathematically derived from the formula. For example, if you double a gift item (2×

markup), your COGS on that item will be 50%.

Similarly, the mathematical COGS percentage for the industry's most common pricing formula—20% labor, 2× on hard goods and 3.5× on perishables—is 28%.

Your financial statement is your report card. It tells you how you did during the period covered by the statement.



**Your financial statement is your report card.**

If you know your pricing formula gives a COGS percentage of 28%, that's what you're looking for on the financial statement. If it's higher, you've probably been stuffing in extra flowers, for example, and you can make the necessary adjustments in the design room.

However, you will never know the true percentage unless the COGS for arrangements is divided by only arrangement sales, not total sales. Dividing by total sales will make the percentage look smaller than it really is. 🍌

## FAMOUS FINANCIAL WORDS

"Service is just a day-in, day-out, ongoing, never-ending, unremitting, persevering, compassionate type of activity."—Leon Gorman

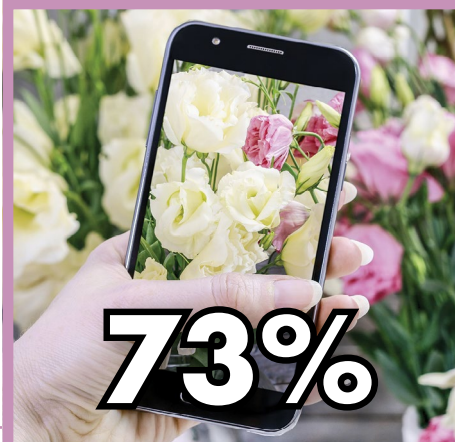
"To get profit without risk, experience without danger and reward without work is as impossible as it is to live without being born."—A.P. Gouthey

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## NORMS

### SMARTPHONE USAGE



# I N Q U I R I E S   &   A N S W E R S LETTERS

## ADVERTISING

*“When I advertise an arrangement, should I include the price or primarily sell the features and benefits?”*

### Always include the price.

Whenever you see something advertised without a price, the tendency is to assume the price is high. Otherwise, you reason, the seller would have included it.

Not having a price in your ad will make the customer uncomfortable. That’s the last thing you want. Customers should know up front the price or the price range they are looking at. If it’s in their range, price no longer is a problem.

The same is true in your store. All products should be clearly marked with the appropriate price. Often, customers who come in to browse will leave if prices are not clearly marked. If they have to ask the price, they believe they will look bad or cheap if they don’t buy the item. So they don’t ask—and they don’t buy.

## REAL ESTATE

*“I am buying a shop that owns its building and property.  
Is there anything special I should consider?”*

### The cost.

Although that may sound obvious, cost really is the bottom line. Often, the real estate is more valuable than the business. When you pay for the true value of the land and building, the amount of rent you will have to charge the shop may be more than the business can reasonably bear. In short, the real estate is too expensive for a flower shop. In that case, you need to buy the flower business without the real estate and move it to another location.

Of course, you must be careful that you fully understand what moving the business will do to sales. If most sales are walk-in due to the current location, the shop won’t do as well when moved. However, if most of the sales come in over the phone or electronically, moving should be easy.

Even if the real estate is priced properly for a flower shop, it is best to separate the two for purchase: Treat the business and the real estate as stand-alone investments. The flower shop then pays rent on the facilities to the entity that owns the property. This approach helps ensure cleaner financial statements and makes it easier to sell one or both when the time comes.

**T**he estimated percentage of the U.S. population that uses smartphones is 73%. That might seem too low until you realize the population number includes babies and children, who are not yet users of the latest mobile technology.

The point? Each year, more shopping is being done on smartphones. The desktop computer is no longer the leader in internet ordering.

So, make sure your website is set up to automatically handle mobile technology. The smaller screen requires specialized formatting to make it user friendly.

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