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QuickTakes

*Ideas You Can Put
to Work Immediately*

1 Don't Treat All Customers the Same

Divide your customers into groups based on the amount of business they do with you. Then determine what level of contact you should have with each group.

If you treat all customers the same, you will end up neglecting your best customers while “over-tending” others. Don’t make that mistake. Go out of your way to let your best customers know how much you appreciate them.

2 Learn to Say No

If you want to focus on your priorities, you have to learn to say no. It’s not easy. But it is important.

Remember, in most cases, you are under no obligation to say yes. If the project or problem is not yours, be especially cautious. Guilt is not a good reason to commit yourself.

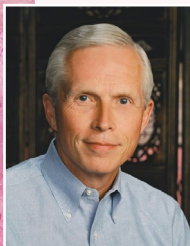
Make time for your priorities ... not someone else’s.

3 The 24-Hour Rule

When people offend you, talk to them about it. Pushing offenses under the proverbial carpet makes things worse in the long run.

But one caution: Don’t act too quickly. In the emotion of the moment, you might overreact. A good rule is to wait 24 hours before approaching the person. That’s enough time to put the matter into proper perspective.

ON BEING 'ALL EARS'



We may say, "I'm all ears"—usually somewhat in jest or even sarcastically.

However, being "all ears" is something we should do more often. Good listening is an

important habit to develop. More than a habit, it's actually a skill.

Consider this. When a customer or employee (or spouse or child or friend or ...) complains about something someone else did, your first instinct may be to jump to conclusions without first gathering all of the information.

The result can be that you "choose sides" too quickly—perhaps making a mountain out of molehill or assuming the wrong person is the offender.

Whether you are managing a business, leading a committee or parenting children, your influence is a direct result of how much you are willing to listen. Listeners are respected. Those who jump to conclusions are not.

Be sure to get the facts first. If a conflict is involved, talk to both parties. To get the full story, you will have to do more listening than talking. Be open to whatever is said. Don't try to make evaluations on the spot.

Next, take time to sort through the facts that have been presented. When you complete your analysis, you will be ready to take action.

One last principle: Speak the truth and give direction. Only say what is necessary and constructive.

Your well-tempered advice will win the day. And respect will follow.

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On the cover: Teleflora's
Happy Go Citrus Bouquet

Sympathy Business I

Getting & Keeping Sympathy Business



Funeral directors are like any other customers. Three basic elements determine which florist they will use or recommend.

1. Service

What kind of service does each florist provide?

Is the shop doing the little things that make the funeral director's job easier? Properly filling out sympathy cards, for example, is extremely important to funeral directors.

When problems crop up, which florist is most cooperative, helpful and dedicated to making things right?

Florists that offer better service have an edge.

2. Personal Relationship

If a funeral director has a relative or good friend in the flower business, that will be a huge factor in the selection process. Blood is thicker than water. And we all want to please our friends.

The funeral director is no different than anyone else when it comes to relationships. All things being equal, friends and relatives will have an inside track.

3. Price/Value

The ultimate customer is the family or friend arranging the funeral. That is who the flowers must please.

The funeral director knows which florists give the best value. Consequently, if one florist always gives more value for the money, that florist will be favored.

PERCEPTION

True: Funeral directors are the best judges of funeral flowers.

"Aww ... come on, now," you may say. "My funeral director can't tell a rose from an alstroemeria!"

Also true: A funeral director may not be qualified to judge design. However, he is completely qualified to assess other factors.

Think about it. Funeral directors handle more funeral arrangements than most florists.

They receive flowers from several florists for each funeral. They will quickly learn which florist charges the most for the least. And how the florists compare on flower quality.

The funeral director not only can become a floral critic—he undoubtedly will.

MOST IMPORTANT FACTOR

Except for the personal relationship factor, funeral directors are generally most influenced by service—assuming the different florists' prices/values are comparable.

Like you, the funeral director is providing a service. She will be most impressed by the florist that saves her the most time and trouble.

For example, you can ask any funeral director which local florists fill out sympathy cards properly. They will know. It's that important to them.

WHAT YOU CAN DO

Here are some steps that will help you move to the top of any funeral director's list.

Make a Visit

How many florists have never met their local funeral directors? Too many. Even though they wouldn't think of treating any other large customer that way.

Make an appointment to see each funeral director in your area. Tour the funeral home. Review all of their procedures for receiving flowers. Check the location of the flower room.

Ask what you can do to make their life easier. Let them know you plan to provide the best product and service in the area.

Repeat this meeting periodically to make sure everything is going as expected. No surprises.

Develop these relationships.

Review All Procedures With Your Staff

Working with funeral homes is a team sport. Each person on your staff—from the order taker to the designer to the delivery person—has to be on board. Make sure everyone understands what you and the director expect. The delivery people must know exactly where the flower room is before they are sent out.

Treat the funeral home with the respect you give any other large customer.

Fill Out Sympathy Cards Properly

This is critical. It is important to the funeral director, the family and your customer. It should be important to

you, too. See the box on page 4 for tips on doing this correctly.

Give Value & Quality

There's no substitute for quality and value. Do your best. Always.

Florists have different pricing policies. They offer different levels of service. Different levels of design.

That's fine.

Just be true to the policies that have built your customer base. Price fairly for the product and service you offer. You might not always be the least expensive. You should always strive for the best possible price/value relationship.

The funeral director will notice.

BUY THE BUSINESS

One way in which some funeral homes do business deserves special mention.

Some call it a kick-back. Others call it a sales commission, a referral fee or a volume discount.

Whatever you call it, money is going from the florist to the funeral director.

Some funeral directors ask for compensation. Some florists will offer it. Whoever makes the first move doesn't change the bottom line.

Many funeral directors report they have been offered from 5% to 20% of the retail price on orders they make or refer.

Should you try this approach?

The first rule: Always try to get full price for your products and services. If you give good product and service, you shouldn't have to make a deal.

Most funeral directors don't want a fee. They want a good working relationship with you. And they want the level of product and service that will make their lives easier and their customers happy.

What about those that do expect a fee or have been offered one by a competing shop? Should you respond with your own discounts or fees?

Wire-Order Tips

When sympathy arrangements are sent as wire orders, a couple of simple steps can eliminate many complaints.

When you send a funeral order to another florist, always request that the receiving florist write the sender's name and address and a description of the piece on the back of the sympathy card.

It'll make your customer, the family and the funeral director very happy. And you may help educate the other florist.

Similarly, when you receive an incoming funeral wire order, be sure to get the name and address of the sender. Write both—along with a description of the piece—on the back of the card.

Funeral directors are generally most influenced by service—assuming the different florists' prices/values are comparable.

It's not illegal for you to offer or for the funeral director to request discounts or fees. It's often a fact of doing business.

And in some cases, there are legitimate reasons for a fee. If the funeral director is actually placing the orders and paying you for them, she is filling three functions.

First, she is making the sale. Second, she is guaranteeing your payment. Third, she is billing the customer for you. Those are valuable services. They are worth something.

And there's an added benefit: The funeral director and the family most likely will refer other customers and friends to you in the future. 🌸



Sympathy Business II

You & the Funeral Director

Believe it or not, your relationship with the funeral director has the biggest impact on your success in keeping and building sympathy sales. No question about it. Directly and indirectly, this relationship will impact your sympathy volume.

How much business do you get from the funeral homes you serve? How much is attributable to funeral directors recommending your shop or actually placing orders for bereaved families?

You might find that funeral directors are among your largest customers.

You must protect those relationships.

BIG PART OF BUSINESS

Although the percentages vary, typical florists get 15% to 25% of their sales from sympathy flowers. That's a big contribution to the top line. And because funeral work tends to be both large and profitable, this segment can favorably impact your bottom line.

However, despite campaigns against "in lieu of flowers," the trend toward fewer flowers at funerals is still a fact.

Consequently, many florists increasingly disregard sympathy business.

That's almost always a mistake. Although you need to look toward the future, why ignore a potentially large, profitable segment of your present volume?

How would you treat any other customer who ordered arrangements month after month? With kid gloves, that's how. You would do everything you could to preserve or enhance that customer's volume.

You should take the same attitude toward your sympathy business.

And remember, national statistics are not always reliable at a local level. Some funeral directors say the flowers at their funerals have actually increased during the last 10 years.

Study your local community. What sympathy trends do you see?

FUNERAL DIRECTORS' COMPLAINTS WITH FLORISTS

If you avoid the following problems, you and the funeral director should get along just fine.

Improperly Filled-out Cards

This is easily the biggest complaint. Some funeral directors say they would need one less employee if florists simply filled out the cards properly.

It is a disservice to the funeral director, the family and your customer to handle such an important task in a sloppy manner. The family needs to know who sent each arrangement—and get a description of the flowers.

The Sympathy Card

Five items must be on the sympathy card.

- 1. Name, address and phone number of the filling florist** (on the back of the card).
- 2. The sender's name and address** (on the back of the card).
- 3. The date and time of delivery** (on the back of the card).
- 4. A description of the arrangement type and flowers** (on the back of the card).*
- 5. The name of the deceased** (in the upper right corner on the front of the card).
- 6. The message from the sender** (on the front of the card).

**In lieu of writing a description, some florists take photos of arrangements to give to the family.*



Late Deliveries

Get the flowers to the funeral home with enough time before the viewing or service. The funeral home staff needs time to place them before family and friends arrive.

If you can't get something there on time, call the funeral director. Tell him the problem. He can then explain the delay to the family.

Failure to Identify Yourself When Calling

When you call a funeral home, immediately tell them you are a florist so that you get the correct deadline for flower delivery.

The flower delivery time is different than the viewing or service time. If you don't make it absolutely clear to the person who answers the phone that you're a florist, you're asking for trouble. Remember, most of the funeral home's callers ask for viewing and service times—not floral delivery times.

Reduce the risk of a potentially embarrassing mistake by getting the correct delivery time, every time.

Deliveries to the Front Door

Make sure your delivery people know where to deliver the flowers. Don't take the flowers in through the front door.

Front-door deliveries are distracting. They can interrupt somber family moments and create confusion. Plus, the flower room is where the flowers can be handled properly.

Confusion Over the Number of Arrangements Coming

Tell the funeral director how many arrangements, plants and sprays are coming. As soon as possible.

Accurate, advance information will help the funeral director decide how to set up the room. No last-minute rearranging will be needed.

Poor Response on Damaged Arrangements

If the funeral director calls to say an arrangement is damaged or needs freshening, respond. Quickly. After all, you are in the service business.

Don't bother with establishing blame unless a pattern develops. You'll please the funeral director, the family and your customer. And that's the goal.

FLORISTS' COMPLAINTS WITH FUNERAL DIRECTORS

You also have some legitimate concerns that need to be addressed.

Not Enough Time to Prepare Arrangements

Funeral viewings and services often are scheduled too quickly to get the flowers finished on time.

Granted, the funeral director may not have control of this decision. However, She can explain the potential issue to the family so they understand when all the flowers aren't there on time.

Funeral Director Doesn't Tell the Florist About Damaged Flowers

You don't want to find out from your customer that the flowers were damaged during delivery or at the funeral home.

Because funeral work tends to be both large and profitable, this segment can favorably impact your bottom line.

When this happens, the funeral director should tell the florist so the arrangement can be fixed. This shouldn't be the family's concern.

Funeral Directors Don't Water Flowers

Who is responsible for this task depends on the funeral home's policies. Is the delivery person supposed to replace water lost during delivery, or will the funeral home do it?

You just need to make sure you both understand your role.

Funeral Directors Give Some Florists More Business Than Others

This is a fact of life.

The best thing you can do is learn how the funeral director decides which florist to use. A better understanding of the dynamics will reveal what changes, if any, you can make to increase your share.

THE SELECTION PROCESS

There are five ways a florist can be selected.

1. The customer makes the decision.

The funeral director may recommend that the family use their own florist. Or the family may already have made that decision. Either way, the funeral director does not pick the florist.

2. The funeral director fills the orders.

Some funeral homes own and operate a flower shop. So, they route as much business as possible to their own operation.

3. The funeral director places the orders.

Here, the funeral director is offering an extra service. He takes care of all the orders. He directly controls the choice.

4. The funeral director recommends a florist.

The family is responsible for ordering the flowers but doesn't know where to go. So, the funeral director makes a recommendation.

5. It's a wire or internet order.

Out-of-town friends and relatives go to their local florists. Or they go online to find a florist in the city where the funeral will be held.

In the third and fourth cases above, the funeral director is especially important. He directly impacts the selection.

How can you influence that decision?

Several factors are foremost in the funeral director's mind. Some are relational considerations. Some are service-based. Others are price/value-based. The article on page 2 addresses these factors in detail. 🌸





INVESTING FOR HIGH RETURNS

Transforming Credit Card Debt Into an Investment

You're different than big Wall Street tycoons. You want a decent rate of return on your investments. Just like they do. But a couple of other goals are probably equally important to you: simplicity and security.

As a busy small business owner, you don't have time (or money) to work with a battery of financial planners to construct an intricate investment program.

That's why one often-neglected investment strategy may be perfect for you. It combines an extremely high rate of return with unparalleled simplicity and security. In fact, it has no risk at all.

How does a guaranteed 18% sound?

Not bad in today's low-interest environment, right?

On average, an 18% return is what you will earn if you simply pay off your credit cards and other consumer debt.

AN EXAMPLE

Suppose you are paying 18% interest on a large revolving credit account. The monthly payments you make are mostly interest. Only a small fraction goes toward reducing the principal.

Reduce that debt by \$1,000 and you will save \$180 in interest costs next year. That may not sound like much until you consider the alternatives for your \$1,000.

If you invested the \$1,000 in a certificate of deposit, you would probably earn 1% at most. That's a "whopping" \$10 per year. In other words, reducing your debt by \$1,000 would increase your rate of return by 18 times.

Remember also that the interest you pay on consumer debt is not deductible. Gone are the days when tax

savings could be used as an excuse to justify excessive borrowing.

Why do so many people continue to rely on consumer credit? Maybe it's habit. Maybe they have become accustomed to living above their means.

The advantages of debt reduction can be hard for some people to see. But consider the interest on a certificate of deposit or a money market fund. That becomes more visible. Watching a positive balance grow is more satisfying than seeing a negative balance shrink.

HOME EQUITY LOANS

What about all those ads encouraging you to take out a home equity loan to pay off high-interest credit cards. It sounds like a good idea; however, a home equity loan also can be a debt trap.

The good news is that the interest rate on home equity loans is much lower than what you'll pay on a credit card. And the home equity loan interest is usually deductible.

So far, so good.

But two other steps are required to make a home equity loan really pay.

First, set up a schedule to pay off the loan as quickly as possible. Make at least the same monthly payment you were making on the credit cards. You'll pay the debt off faster than the credit cards because the interest rate is lower. A greater portion of each payment will go to principal.

Second, limit your use of credit cards. Each month, make sure you pay in full whatever credit card purchases you made. Don't carry a balance over to the next month.

It does no good to take out a home equity loan to pay off your credit cards and then run up new consumer debt. If you do, you'll be worse off than when you started. You will have both high-interest credit card debt and an additional loan secured against your home.

THE CASH METHOD

To reduce the temptation of continued borrowing, many people cut up their credit cards or commit to using them only in an emergency. They handle everyday expenses the old-fashioned way. They use cash.

Watching a positive balance grow is more satisfying than seeing a negative balance shrink.

It may sound silly, but if you force yourself to use cash, you will spend less money. There's something about handing over greenbacks that makes us more frugal than signing a credit card slip.

Don't be fooled by the lure of easy credit.

If you are carrying a credit card balance, reduce the principal as much as you can each month until you have completely paid off the debt. You'll be making a wonderful investment.

And if you aren't currently burdened by credit card debt, don't start now. It's a trap many never escape once they start. 🧠

COGS

Accounting for Everything

Most retail florists use a single cost of goods sold (COGS) category. Although that is enough to do your income taxes correctly, it is not enough to operate a profitable flower shop.

To be able to operate with better information, set up separate COGS categories for each major product group:

- Silk/Dried
- Loose Flowers
- Arrangements
- Plants
- Gifts

Isolating COGS for arrangements is particularly important.

Floral Finance recommends that arrangements COGS include only the cost of flowers and greens. Use a separate supplies COGS account for containers and design supplies. The target for arrangements COGS is 25% of arrangements sales, at most.

ARRANGEMENTS COGS

Arrangement COGS is one of the three most important items to control in a retail flower shop. (The other two are payroll and facilities expenses.)

Since all fresh flowers and foliage are expensed into arrangements COGS, a problem arises if you sell a substantial amount of loose flowers.

If loose flower sales are in the arrangement sales category and loose flowers COGS are in arrangements COGS, your arrangements COGS will be distorted. Most likely, it will appear higher than it really is.

The reason? The pricing formula for loose flowers is usually different than the pricing formula for arrangements.

Typically, a retail florist will mark up loose flowers 2×–2.5×, to compete with supermarkets. That means COGS for loose flowers should be 40%–50%.

Since the arrangements COGS target is 25% (or less), mixing in loose flower

sales of 40%–50% COGS will push the combined percentage higher.

You might see an arrangements COGS of 30% and think you have a problem. In reality, the increase could be caused by high loose flower sales.

Since ensuring an accurate arrangements COGS is the primary goal, loose flowers need their own sales and COGS categories.

LOOSE FLOWERS COGS

Handling COGS for loose flower sales takes three simple steps.

1. Determine COGS targets from your pricing formula.

Your pricing formula for loose flowers dictates what your loose flower COGS should be.

If you use a 2× markup, the COGS should be 50%. If you use a 2.5× markup, COGS should be 40%. A 3× markup will give a 33% COGS figure.

To make the calculation, divide “1” by your markup. Example using a 2× markup: $1/2 = 0.5 = 50\%$.

2. Calculate loose flowers COGS.

At the end of each month, multiply your total loose flower sales by the COGS percentage you determined in step 1. The result is your target COGS for loose flowers for the month.

3. Make a journal entry.

Finally, use a journal entry to move the amount determined in step 2 from arrangements COGS to loose flowers COGS.

You will now have a fairly accurate estimate of your COGS for loose flowers. Even more important, your arrangements COGS will be accurate.

SHRINK

What about loose flower shrink? It usually is best to assume that all shrink happens in the arrangement design process.

However, if you are throwing bunches of loose flowers away, you will want to make a journal entry to move the cost of those lost flowers from arrangements COGS to loose flowers COGS. 🌻

FAMOUS FINANCIAL WORDS

“I like work. It fascinates me. I can sit and look at it for hours.” — *Jerome K. Jerome*

“Many people—especially ambitious business people—are so consumed by daily responsibilities that they often ignore the things that really make them happy.” — *Spencer Johnson, M.D.*

“Fortunes made in no time are like shirts made in no time: It’s 10 to 1 that they won’t hang together very long.” — *Douglas Jerrold*

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INQUIRIES & ANSWERS Letters

TAXING MISTAKES

“What’s the quickest way to fix a mistake on my tax return?”

Ask the IRS.

Every year, hundreds of thousands of taxpayers file tax returns with errors. The mistakes run the gamut. From double counting and subtraction errors to omitted deductions and unreported income.

If you realize you made an error in your return, simply log on to www.irs.gov to get the form you need to make an amendment. Fill it out. Send it in. That’s it. You’ll get a bill for the extra taxes or a refund.

Some people believe that amending a return increases your chances of an audit. However, it really depends on the nature of the correction. Refiling to show an additional \$20,000 in charitable deductions is one thing. Simply correcting a math error is an entirely different matter.

One other thought: If the mistake worked against you (you paid more taxes than you should), you have every right to file a correction. Don’t be bashful.

Similarly, if the mistake was in your favor (you paid less than you should have), don’t think you can let it slide. The law requires you to make the correction.

PERSONAL USE OF VEHICLES

“We have a minivan that is personally owned but used primarily for business deliveries.

Our delivery people have a hard time remembering to keep the mileage log the IRS requires for tax purposes. Is there any legal way to avoid this requirement?”

Only if the vehicle is used exclusively for business purposes.

To qualify for this exception, you have to meet several requirements. The company must own or lease the vehicle. Personal use must be strictly prohibited. Stopping for lunch between deliveries would be OK, but that’s about it.

Further, the van must be kept at your place of business when not in use — including nights and weekends. You must be reasonably certain that all employees are abiding by the “no personal use” policy. Finally, the policy must be clearly stated in writing and given to the employees.

If your use and control of the minivan doesn’t meet these guidelines, you will have to keep a log of business and personal use and handle the taxes appropriately.

NORMS

TELEPHONE EXPENSE



Telephone expense (including cell phones) as a percentage of total sales.

Many retail florists think telephone expense is a big item. It actually is a fairly modest expense. Some of this is because wire orders now are transmitted and received over Dove rather than the telephone.

If your telephone expense is more than 1% of your total sales and your total sales are above \$200,000, get busy. See whether you need all the lines you have.

Telephone expense should not make you or break you. Indeed, it should be a very a small part of your overhead.

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