



FINANCIAL INFORMATION,  
EDUCATION AND CONTROL  
FOR THE RETAIL FLORIST

# Floral<sup>®</sup> Finance

teleflora<sup>®</sup>

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## QUICK TAKES

*Ideas You Can Put  
to Work Immediately*

### 1 Savor the Battle

In the course of life's hectic pace, don't lose sight of what's important. Achieving goals rarely brings true satisfaction. After reaching a goal, do you ever wonder, "Is that all there is?"

Remember, the journey itself is where true meaning lives. If you don't enjoy what you're doing, you're missing the good stuff of life.

### 2 Oscillate

Get tired before the day is done? Learn to make waves. Not the kind that upset people, but waves in the activities and tasks you do.

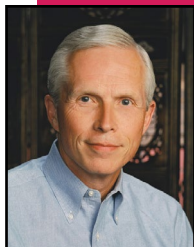
Rotate sedentary activities with active ones. Do your work in spurts. You'll have more energy. The day will have more variety. And you'll have more fun.

### 3 Which Floral Preservative to Use?

Preservatives don't always live up to their claims. Not because the products are bad but because of the water that is used. To learn which preservative works best with your local water, you'll need to do some tests.

Set up bud vases with flowers for each preservative you want to try. Use the recommended concentration. Keep the stems at room temperature. You'll soon see which product is best for you.

## EMPLOYEE SATISFACTION AND THE BOTTOM LINE



Some business owners see employees as a means to an end.

Employees are hired to do work so that the owner can make a profit. How the employees are

treated is not that important. They are expendable and replaceable as needed.

The problem with that type of thinking is that it's not true. You will serve your customers best and be more successful when you treat your employees with dignity and respect.

The Nielson market research firm conducts regular employee surveys and tied the results to operating performance data. Guess what? According to the Nielson surveys, when employee satisfaction rises, financial results improve.

That's not all. A financial services unit at Monsanto also surveyed both employees and customers. They found that employees' satisfaction with their jobs and their work/life balance were the best predictors of customer satisfaction.

So if you want happy customers and strong profits, make sure your employees are happy with their jobs.

You won't get the most out of your employees by pushing them and making unreasonable demands. Servant-leadership is a better approach.

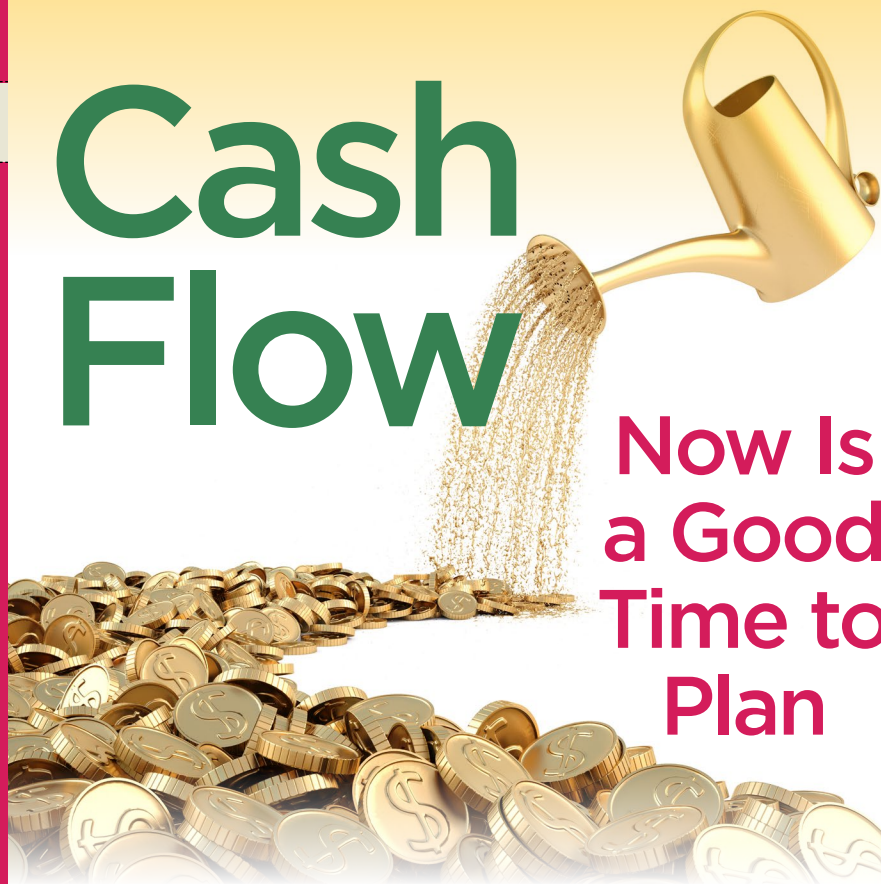
Figure out how to serve your employees. When you do, your bottom line will improve and your customers will be more satisfied.

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# Cash Flow

Now Is  
a Good  
Time to  
Plan



Cash is king.

It really is—in more ways than one.

The financial gurus all say that individuals and businesses who have plenty of cash will be the winners during a downturn. Those who are loaded with debt will suffer.

To be more specific, those who are debt-dependent may have to sell assets to raise the funds needed to service their debts. Those who are cash-rich often will be able to gobble up some real bargains.

However, cash is just as important in good times. Did you know that a flower shop can actually show a profit and still be strapped for cash? Maybe you've been there.

This can happen for several different reasons.

The business might have suffered losses in the past and had to borrow to survive. Now that times are better, all of the cash the business is generating must be used to repay that debt.

Or maybe the shop used most of its cash to buy equipment. Only a portion of the equipment cost can be written off as depreciation each year. So, the financial statement shows a profit even though cash is now in short supply.

### PLANNING

So, cash planning is essential. Whether times are good or bad. Whether the business is shrinking or growing.

If you discover that you will be short of cash, you can take some restorative steps. The key is to get started early—before a small problem becomes a major crisis.

Here are four ways to generate much-needed cash.

#### 1. Reduce Inventory.

Tying up too much money in excessive or obsolete inventory can quickly cause cash problems.

One florist we consulted with had a hardgoods stock in excess of \$170,000. Way, way too much. Within a year, a concentrated effort had dropped the shop's inventory below \$100,000. That single change brought more than \$70,000 in cash back to the operation.

Although few florists have an inventory problem of this scale, it is quite common to see \$10,000 tied up in unnecessary inventory.

If you're in this position, find ways to creatively use the excess inventory. Be persistent in your efforts.

Utility containers are easy to move out. Selling obsolete, bigger-ticket items is more difficult but should be an even higher priority. Create a special arrangement that features the overstocked items. Or incorporate them into open orders whenever practical.

When you are in inventory-reduction mode, stop buying so much replacement inventory. Force yourself to first clear the back shelves. Use your design talents to turn unsold products into something beautiful.

## 2. Cut Payroll.

Are you overstaffed for your level of sales? Bring your productivity up and your staffing down. You'll see a big boost in your cash.

To determine if you are overstaffed, review financial statements. If the owner/manager is salaried, payroll (including taxes and employee benefits) should not exceed 30% of sales.

In shops with sales above \$500,000 and the owner/manager is taking a draw rather than being on the payroll, the target is a bit higher. A good overall payroll target for these shops is 22% to 24% of sales.

**If the owner/manager takes a salary, payroll (including taxes and employee benefits) should not exceed 30% of sales.**

In shops with sales above \$500,000, the owner/manager will make less as a percentage of sales, while non-owner/manager payroll will be a little higher. A good overall payroll target for these shops is 22% to 24% of sales.

If your shop's payroll is too high, you'll want to evaluate each designer's productivity. A good target is \$1,200 of designs at retail per 8 hours of design.

If the shop's production is below that level, you've got to do better. Schedule fewer design hours. Get the team working harder. You may even need to let someone go.

If your production is on target but payroll is still too high, take a look

at how many employees you have in management positions. Managers are expensive. One manager can effectively manage seven to 10 employees. If your employee/manager ratio is lower than 7:1, you need to do some trimming.

Shops doing less than \$500,000 or with fewer than seven employees usually need only one manager—the owner.

## 3. Cut Expenses.

How about your expenses? Can any be eliminated altogether? Can others be reduced?

Be ruthless. Identify and make a list of all potential targets.

Put your primary focus on the biggest expense



### QUICK CASH

One often-overlooked source of cash? Your shop's accounts receivable. That is money owed to you. All you have to do is collect it more quickly.

categories. Reducing a major cost by just 1% or 2% can have a significant impact on your cash.

Most expenses can be trimmed a little. And every dollar you save will help. Together, your cost-cutting steps may add up to several thousand dollars in extra cash per year.

## 4. Lower Cost of Goods Sold.

Cost of goods sold (COGS) is an area where most flower shops lose money. Stuffing extra flowers in the arrangements is the primary cause.

A shop with an average order size of \$50 will produce 2,000 arrangements for every \$100,000 in sales. Just one extra 35-cent carnation in each of those arrangements will cost the shop \$700.

An extra alstroemeria (at 53 cents) in each will cost \$1,060.

However, rarely does an overly generous designer put in just one extra flower. Two or three is more likely.

When stuffing is a consistent pattern, there goes the shop's profitability.

The solution? Count every item that goes in every arrangement. Stick to your pricing formula. It's essential.

**Count every item that goes in every arrangement. Stick to your pricing formula.**

Selling standard designs that you know have the correct number of flowers is a proven way to cut your risk. Establish recipes for each standard arrangement. Every time one of these arrangements is produced, you will know the product content is correct and your COGS will be in line.

## 'I'M STILL SHORT'

Reducing inventory. Cutting payroll. Trimming expenses. Lowering COGS. For many shops, these four steps will eliminate the cash crunch.

But what if they aren't enough? If it still appears you will come up short in slow months, visit your banker as quickly as possible.

Arrange well in advance for a short-term operating loan. Show the banker your cash-flow forecast. Explain what you have done to improve your performance.

If you are truly exercising good management and demonstrate an ability to repay the loan, you ought to be able to borrow what you need.

Knowing that your short-term cash needs can be covered by a loan will help you sleep at night.

## GET HELP

Cash-flow forecasting can be intimidating. Don't be afraid to ask your accountant for help. Financial professionals are experts at this kind of thing. They also can help you implement some of the suggestions mentioned here to increase your cash flow.








Whether you tackle cash-flow reduction on your own or use an accountant, do it as soon as possible so that when sales lull, you'll be ready.

See the article on page 4 for instructions on how to forecast cash flow. 🌱



# FORECASTING CASH FLOW



SEPTEMBER	OCT	NOV	DEC	JAN	FEB	MAR
-\$3,000	-\$14,000	+\$5,000	+\$28,000	-\$18,000	+\$10,000	+\$14,000
						

A cash-flow forecast is task that florists often neglect. If you are one of those florists, you do so at the risk of your financial health.

In fact, a cash-flow forecast is arguably the most important forecast you can make. Without cash, you can't pay your bills. And, ultimately, your business will fail.

It's as simple as that.

Many shops have built great volume only to find that too many of their sales were charged to house accounts. The sales weren't yielding cash quickly enough for the shop to meet its obligations.

House charges are a great convenience for the consumer. However, if not managed carefully, house charges can cause significant cash problems for the florist. In the past, florists often got 80% or more of their daily sales over the phone. Most of those sales were charged to house accounts.

Thankfully, most florists today limit house accounts to business customers. Consumers are encouraged to use their credit cards. That helps a great deal with cash flow.

But remember: Even if you have reduced your house accounts, managing your receivables is still crucial. Getting your money as quickly as possible can be the difference between failure and survival.

A cash-flow forecast tells you when cash will come into the business and when it will go out. Putting the two together gives you a picture of what your cash situation will be each month of the year.

Why is a cash-flow forecast so important? Because under-capitalization is the single most common reason businesses fail. It may take several years for a new business to generate enough cash to maintain itself. The cash-flow forecast will show exactly how much additional cash the business will need to get from here to there.

For an established shop, the cash-flow forecast will show in which

months, if any, the business will temporarily be in a negative cash position. Many shops run short during the six-month stretch from the end of May to Christmas. The cash-flow forecast will show if and when additional arrangements will be required to keep things running smoothly.

## CASH FLOWING INTO THE SHOP

The first part of the forecast is to determine how and when cash will be coming into your shop. This involves four easy steps.

First, **estimate your monthly sales.** The easiest way to do this is to look at last year's sales by month. Then, adjust the amounts up or down to reflect how your sales are trending this year.

Next, **estimate the percentage of sales that will be made in cash or cash equivalents** (checks and credit cards that can be deposited immediately). If 30% of the sales are charged to house accounts, only 70% will turn into cash immediately.

Next, **determine how quickly payments on the house account will**

**come in.** For example, 60% of a given month's receivables may come in during the first month. Another 30% might come in the second month. And the final 10% in the third month.

Suppose you did \$20,000 in sales in a given month. Using the above assumptions, you would get \$14,000 in cash immediately (70% of \$20,000). Of the remaining \$6,000, you would get \$3,600 the next month (60% of \$6,000), \$1,800 the second month (30% of \$6,000) and \$600 the third (10% of \$6,000). If this was your experience, the following table would reflect your cash flow:

MONTH	CASH REC'D
<b>Current</b>	<b>\$14,000</b>
<b>Month 1</b>	<b>3,600</b>
<b>Month 2</b>	<b>1,800</b>
<b>Month 3</b>	<b>600</b>
<b>TOTAL</b>	<b>\$20,000</b>

Apply these percentages to your forecasted sales for each month. Set up a spreadsheet with columns for each month and rows to spread your cash receipts. Finally, add the numbers in each column to determine how much cash you will get each month.

To be conservative, don't forecast any cash from receivables that are more than 90 days old. Receivables more than 90 days old should be turned over for collection and entered into "bad debt expense."

### CASH FLOWING OUT OF THE SHOP

The second part of the forecast is determining how cash will flow out of your shop as you purchase product and pay for the other expenses of running the business.

The easiest approach is to assume that all product purchases and expenses will be paid in the current month. As a practical matter, even though you may pay this month's phone bill next month, you will be paying a phone bill every month. Everything will balance out.

**Assume that all expenses will be paid immediately upon receipt of the invoice. This conservative approach will be amazingly accurate.**

It would be too much trouble to calculate precisely which expenses will be paid in the current month and which will be paid in the following month(s). To keep things simple, each month, replace all product sold that month, thereby keeping your inventory constant. In addition, assume that all expenses will be paid immediately upon receipt of the invoice. This conservative approach will be amazingly accurate.

Estimate your monthly cost of goods sold (COGS) by using your pricing formula. First, determine what percentage of sales your COGS should be. Then apply that percentage against your expected sales in each sales category. For example, if you use a 2X markup on gifts, your COGS for gifts should be 50%. Add 2% to 3% for shrink, and a COGS for gifts of 52% to 53% should be a very good estimate.

One word of caution: Christmas is an unusual month. Many shops do some Christmas buying as early as July. Even with special terms, you may have to pay for the product in September or October. Just remember these peculiarities and make the necessary cash-flow adjustments before finalizing your forecasts.

### NET VS. CUMULATIVE CASH FLOW

Adding up all the cash you expect to come in during a given month and subtracting the month's COGS and expenses will give your net cash flow for the month. This number will either be positive (more cash coming in than going out), zero (the same amount coming in and going out) or negative (less coming in than going out). It's normal to have a few negative months each year.

The final task is to add the net cash flow for each month to the previous month's balance. This will reveal your

cumulative cash flow. As long as the cumulative cash flow is positive, you have enough cash to run your business. If it becomes negative, you will need to get more cash in.

Extra cash can be gained in several ways. Increasing sales. Decreasing expenses. Collecting your receivables more quickly. Investing additional capital in the business. Or borrowing funds. After looking at your cumulative cash-flow picture, you can determine which, if any, measures need to be taken. ☘

## CASH-FLOW FORECAST SUMMARY

**Step 1** Forecast your sales for each month of the year.

**Step 2** Use your pricing formulas to estimate your monthly COGS. Use last year's experience to estimate monthly expenses.

**Step 3** Determine the percentage off of your sales that will be paid by cash or cash equivalents (checks and credit cards that can be deposited immediately). Estimate what percentage of your house account charges will be paid in the month of sale and in each of the three months following the charge. Use these estimates to calculate the amount of cash that will be received in the current month and the following three months.

**Step 4** Create a spreadsheet with columns for each month and rows for each month's cash flow. Use the percentages derived in Step 3 to determine the cash that will come in from sales for that month and receivables from previous months. For each month, add all of these items together to determine total incoming cash.

**Step 5** For each month, subtract expected product purchases (COGS) and expenses from projected incoming cash to get net cash flow.

**Step 6** Add each month's net cash to the previous month's cash balance to get the cumulative cash balance. (For the first month, add the beginning cash balance to the month's net cash flow to get the ending cash balance.)

**Need Help?** *The Profit Minded Florist* is available from Teleflora. It includes a chapter on "Forecasting Cash Flow," along with associated forms in the forms section. To purchase *The Profit Minded Florist*, call 800-421-2815 or go to [www.myteleflora.com](http://www.myteleflora.com).



# Learning About Your Shop



## Let Your Customers Do the Talking

**Y**ou know what you think about your business. But what do your customers think? Like it or not, the customers' perception is what really matters. After all, that's what will drive their decision on whether to buy your products and services.

So, you definitely need to understand what your customers are thinking. Good or bad.

### GETTING THE INFORMATION

Information comes from customers in a variety of ways. They can complain. They can compliment. They can talk to a third party, who then relays a message to you.

However, all of these methods may be motivated by emotion. Whether favorable or not, that emotion will color what is said. To get more objective information, you need to seek it out.

### RELIABILITY

Very few people will tell you exactly what they think in a one-on-one, face-to-face conversation. Especially when their thoughts are negative. They may be afraid of hurting your feelings or putting themselves in an uncomfortable position.

You'll get more reliable information if you create an environment where customers feel free to share exactly what they are thinking. No holds barred.

A focus group is made to order for this purpose. You gather a small group of customers to discuss your business, give feedback, or suggest new products, services or promotional ideas.

Bringing several customers together at one time will produce better results than a series of individual conversations. It's called synergy. The whole is more than the sum of the parts.

What one person says will spark a new thought or response from another. Energy builds. Enthusiasm and ideas are kindled.

### FOCUS GROUP RULES

A few rules must be followed to get the best results from your focus group.

- **Owner/Manager Absent.**

Sorry. A focus group is not a party. And the customers will be inhibited if the shop's owner or manager is sitting at the table.

You want the participants' most candid comments. That means removing any barriers that might obstruct the flow of conversation.

- **Neutral Host.** For the same reason as above, the meeting should not be conducted by an employee.

Hire someone who is not associated with your shop to moderate the discussion. Someone who has good communication skills, and will be completely unbiased and gather information without influencing the conversation.

- **Offsite.** Because the customers need to be as relaxed as possible, pick a neutral setting. One that won't provide any distractions.

A restaurant is often a good option. Offer a free lunch as a benefit of participating.

- **No Leading Questions.** To get the discussion going, the host may have to ask a question or two. The questions need to be open-ended. The goal is to get participants talking without leading them down a certain path.

A question that is too specific (e.g., requires a yes/no response) will produce an answer to that question—and to that question only. You might not get other, more important thoughts about the product, service or idea under discussion as you would with an open-ended question.

- **Limit the Topics.** Don't try to cover too much ground in a single setting. Stick to one or two topics. Go "deeper" rather than "broader."

**BRINGING SEVERAL CUSTOMERS TOGETHER AT ONE TIME WILL PRODUCE BETTER RESULTS THAN A SERIES OF INDIVIDUAL CONVERSATIONS.**

### THE RIGHT GROUP

Another key to success? Select the participants carefully. Before you can do that, you need to further define the purpose of the meeting.

If you want to talk about

building your commercial business, get commercial customers on the panel. If you're hoping to build sympathy sales, you'll need customers who have bought or received sympathy flowers.

Normally the participants should be frequent customers. Individuals who really know how you operate.

### A TANGIBLE THANKS

A thank you and handshake are not enough to show your appreciation to focus group participants. Even a free lunch won't do it!

Remember, you've taken these customers' valuable time. And you've gained some very valuable information. Make sure they know you're grateful.

Give everyone an arrangement. As soon as the meeting concludes, ask where and when they would like the flowers delivered so they will be expecting them. Also, make sure you send impressive arrangements. You want these folks beaming about their decision to participate in your focus group. 🌸



# ORGANIZE YOUR DESK

## A SIMPLE, WORKABLE SYSTEM

**D**o you have trouble keeping your desk clean? Are piles of papers scattered everywhere? Do you know what is in every pile? How often do you come across something on your desk and realize you should have thrown it away long ago?

A messy desk is not unusual. However, it is preventable. All you need is a simple system to avoid the mess.

### FIVE CATEGORIES REDUCED TO FOUR

Every piece of paper should be appropriately categorized and handled. First, throw away all junk mail. Immediately. No need to read it. No need to save it. Just put it in the recycling bin.

Then, you'll already have reduced what you must deal with. Everything else can be divided into four categories.

#### 1. Must-Dos

Items that are important should be handled quickly. If you can't take care of it on the spot, put it in your "must-do" pile—to address before the day is done.

This category might include a bill to pay, a customer complaint to solve or a government form to complete—items that can't be ignored and need your immediate attention.

#### 2. Information Needed

These are almost like the items in the first category, except that something is missing. You need to take some action but can't until something else happens. Missing information must be supplied, results from other activities must be recorded or a deadline must be reached.

Put all of these items in a single pile. As the information comes in, the questions are answered or the deadline

is reached, pull the item out and deal with it.

#### 3. Reading Material

Articles. Reports. Magazines. In this pile, group the various items you want to read.

Periodically attack the pile. Read and file items that are worth saving. Recycle those that aren't.

#### 4. Miscellaneous

This fourth category is for anything that doesn't fit into any other spot. The item looks important. You think you might need it. But you don't really know what to do with it. There's no immediate deadline, action item or obvious task.

What to do with these? Select a drawer deep in your desk. Lay each new miscellaneous item on top of the pile. Shut the drawer and ignore them.

If you ever get a call about an item in the drawer, you can quickly locate it.

However, for most of these items, that call will never come.

Every three or four months, open the drawer, take the bottom half of the pile and throw it in the recycling bin. Then, leave the top half in the drawer.

If you do this regularly, all #4 items will stay open for a few months. If they aren't needed during that time, you will throw them away. In the meantime, they will not be cluttering your desk.

### YOU CAN BE ORDERLY

With a little practice, even the messiest desk can be kept fairly clean. And your more organized look will bring real benefits.

You will be more efficient. You will get more done. You will no longer waste time sorting through the clutter just to remind yourself what's there.

Get your desk organized. You'll be glad you did. 🌸

### FAMOUS FINANCIAL WORDS

"Anyone can do any amount of work, provided it isn't the work he is supposed to be doing at the moment."

—Robert Benchley

"A thought which does not result in action is nothing much, and an action which does not proceed from a thought is nothing at all."

—Georges Bernanos

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## NORMS

OLDER WORKER RELIABILITY



# INQUIRIES AND ANSWERS LETTERS

## CHECK ON IT

*"A big check for a large decorating job just bounced. Unfortunately, we didn't find out until after we finished the job. Is there anything we can do to prevent this from happening again?"*

### Definitely.

Although you can't stop customers from writing bad checks, you can protect yourself from calamity. Simply call the bank from which the customer's check will be drawn. The bank won't tell you how much is in the account, but they can confirm whether there are sufficient funds to clear the check.

It's neither practical nor wise to do this for every check your shop receives. However, for especially large drafts—say, \$500 or more—the practice can give you a measure of protection.

By the way, getting your money so late on a big job is very dangerous. Next time, require a 50% deposit before you begin work and the balance before you finish.

## IT'S A CRIME

*"Last month, I dismissed an employee after he was convicted of a crime. Now he's threatening me with a lawsuit. The law is on my side here, isn't it?"*

### Not necessarily.

Whether dismissal is justified depends on three things: your state's law, where the crime occurred (at or away from the shop) and whether the crime relates to the job.

Some states give employers great latitude in hiring and firing. In these "employment-at-will" states, you can fire a worker for any or no reason. Increasingly, however, states are more likely to protect employees than employers.

Unfortunately, the line on what's justifiable and what's not is blurry. Firing a worker who steals from you is clearly justifiable in any state. Likewise, dismissing a cashier who is convicted of theft outside of the shop would be your legal right.

Dismissal may also be justifiable if the moral aspects of the crime are so offensive that the workplace would be disrupted. A rape or assault conviction, for example, could breed fear among co-workers. A well-documented dismissal would probably be affirmed. But a designer convicted of drunk driving could still perform on the job, so a decision to terminate might be challenged. Have a chat with your attorney to see what the law is in your state.

**S**ome 60% of employers say that older workers are more reliable than younger ones. That shouldn't be a surprise. Older workers may have learned a much better work ethic than their younger counterparts.

When hiring, don't assume that what florists can afford to pay is only suitable for entry-level workers.

Many retirees need supplemental income. Others just want something to keep them busy. They are more than up to the task. And they represent a fast-growing labor pool.

*Source: Poll of Society for Human Resource Management members*

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