



FINANCIAL INFORMATION,
EDUCATION AND CONTROL
FOR THE RETAIL FLORIST

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teleflora[®]

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INSIDE THIS ISSUE

FROM THE PUBLISHERS: <i>Responsibility</i>	Page 2
DO RETAIL FLORISTS MAKE MONEY? <i>A Path to Profits</i>	Page 2
PAYROLL IN '16: <i>Establishing a Budget</i>	Page 4
THE FAMILY BUSINESS: <i>Family Relationships</i>	Page 6
BY THE BOOKS: <i>Prepare Now to Simplify Year-End Inventory</i>	Page 7
INQUIRIES AND ANSWERS: <i>Pricing Weekly Specials; Long-Distance Deliveries</i>	Page 8
NORMS: <i>Number of Employees</i>	Page 8

QUICK TAKES

*Ideas You Can Put
to Work Immediately*

1 Sell Those Holiday Specials

The best way to move your Thanksgiving and Christmas specials out quickly is to put samples in clear view of your salespeople. The visual clue will allow them to describe each arrangement with more colorful words and feelings.

Also, set up a sales incentive program. Give a 50-cent bonus for every special arrangement sold.

2 Steal and Improve

It sounds crass, but this was a regular mode of operation for Sam Walton, founder of Walmart.

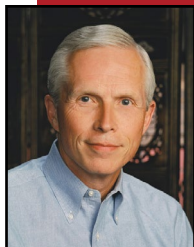
Walton consistently visited competitors' stores. He would walk the aisles looking for what the "other guys" were doing better than his stores.

If he saw a helpful practice, he would take the idea, improve on it and put it to work in his stores. Visit your competition. Learn from them, and improve.

3 Your Brand

Besides being in the flower business, you're in the communication business. You share your expectations with employees, explain the value of your products and services to customers, and communicate the sentiment each sender of an arrangement wants to convey. Make sure your communication is clear in all directions.

RESPONSIBILITY



Do you have responsible employees? Are you responsible?

Responsibility is a choice. An individual's decision to be responsible flows from two beliefs:

1. I am accountable for my behavior.
2. I can make my life (and the lives of others) better by making responsible choices.

Once the decision to be responsible is made, putting responsibility into action involves awareness of:

1. Who I am responsible to.
2. What I am responsible for.

In a business context, you might put it this way:

1. Whom we are trying to please.
2. What we are trying to accomplish.

Every employee has responsibilities to customers and to the organization. Sometimes, those two responsibilities go hand in hand. And sometimes, striking the balance between the customer and the organization can create conflict.

To have truly responsible employees, you must provide good training. Let them know how you expect them to work. Tell them what they are accountable for and who they are accountable to. That will involve responsibilities to the customer, and responsibilities to the shop and fellow employees.

A little extra enlightenment can create the kind of employees who will do the right thing and make you proud.

A stylized, handwritten signature in black ink, appearing to read 'Paul Goodman'.

Paul Goodman
Editor

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Do Retail Florists Make Money?

A Path to Profits

What can you reasonably expect to earn? How much bigger does a shop have to get for the financial rewards to become substantial? For many retail florists, the answers are not encouraging. The owners may make a decent salary, but they find there's not much left on the bottom line.

WINNERS AND LOSERS

Various industry studies suggest that, on average, retail flower businesses make less than a 5% profit after paying the owner(s) a reasonable salary.

However, that average hides the varying results that individual florists experience. Some shops net substantially more than 5%. Others, substantially less.

Psychologically, putting the owner/manager on the payroll makes a big difference. The owner sees a smaller bottom line and responds with tighter management control.

Floral Finance Business Services' consulting practice bears this out. We encounter a fair number of shops that are losing money. On the other hand, we have seen several making 15% or more on the bottom line.

What factors separate the highly successful shops from the not-so-successful ones?

Until *Floral Finance* developed a database of firm financial facts, answering that question was more or less a guessing game. Nobody really had any reliable industry statistics. It was difficult to say what a given florist would have to do to realize good returns.

That is no longer true.

THE DATABASE

Twenty-five years ago, *Floral Finance* started a bookkeeping service for florists—Floral Finance Business Services. The idea was simple. Prepare monthly financial statements. Give participating owners and managers good financial information. Help them earn more profits.

As a byproduct, we slowly developed a pool of statistical information on the industry. Hard facts that answer many common financial questions and can be used to guide retail florists toward greater profitability.

Although Floral Finance Business Services no longer offers bookkeeping services, the database yields significant information about how retail florists perform.

GETTING GOOD DATA

Comparing data for different shops can be tricky. To be meaningful, the comparison has to be apples to apples. There are four different aspects to this.

First, it wouldn't be fair to compare one florist's January results with another shop's February figures. Any shop-to-shop comparison has to be for the same time period.

Second, each shop's accounting needs to be done the same way. Similar general ledger codes and wire-order accounting practices.

Third, getting a good reading on profitability requires a reasonably long period of time. Looking at data over time gives a much truer picture of a shop's profitability than a short glimpse can.

The fourth requirement is that the owner's compensation has to be handled the same way. Do the shop's payroll figures include a reasonable salary for the owner/manager? If the owner/manager is not taking a fair salary out of the business, the net profit should be significantly higher.

The Floral Finance Business Services database meets all four of these requirements. Following are some of our overall conclusions.

INTERESTING ANSWERS

Shops with the owner/manager on the payroll produced an average net profit of 4.6% of sales. Shops in which the owner/manager is not on the payroll show a higher average profit—about 7.4%. However, if you subtract an appropriate owner/manager salary, the net profit would be quite a bit lower than the net profit of shops with the owner/manager on the payroll.

The number of locations the business has also influences profitability. The most profitable shops (as a percentage of sales) are single-location businesses.

Why would that be? Well, it's more difficult to manage a multiple-location operation. A business doing a total of \$750,000 at two separate locations requires more managers than a single-location operation with the same sales. By definition, multiple locations create inefficiencies and duplication of some services.

This is not to say that multi-shop businesses make less money than

single-location businesses. Large multiple-location operations will normally make more dollars of profit because of their size. But their net profit percentage is normally lower than that of a successful single-location business.

THE BIG QUESTION

The shops that, on average, have the best profits as a percentage of sales are medium-sized, single-location shops.

Why do these shops do so well? We don't know for sure. However, it may be a function of staff size and management pay.

A well-managed shop with \$500,000 in sales ought to require only five to six full-time-equivalent employees. (Two half-time employees equal one full-time-equivalent employee.)

**The Floral Finance
Business Services
database yields
significant information
about how retail
florists perform.**

Sociologists say that one person can effectively manage seven to 10 employees. So, the \$500,000 shop should not require a second layer of management. The owner should be able to handle it. The business won't have to pay out a second manager's salary to someone else. That, in turn, means a stronger bottom line.

When a flower business gets bigger than \$500,000, it is more complicated to run. The owner often needs to hire an additional manager or two. Since managers add to overhead costs, that can mean lower profitability.

'IMPOSSIBLE!'

Many florists will say it is impossible to run a \$400,000 shop with only one owner/manager, let alone a \$500,000 shop.

That's true in some respects. No owner can be on the job all of the time. Everyone needs some time off. And during holiday seasons, when part-timers and temporary workers are called in, the owner will need more help overseeing things.

However, these facts don't necessarily suggest that another full-time manager is needed. The owner can put a trusted employee in charge when he/she is out or when holiday workloads increase.

Bigger shops aren't quite so lucky. They require more management help all of the time. As a result, overhead increases and high profitability levels are harder to maintain.

THE BEST PAYROLL CHOICE

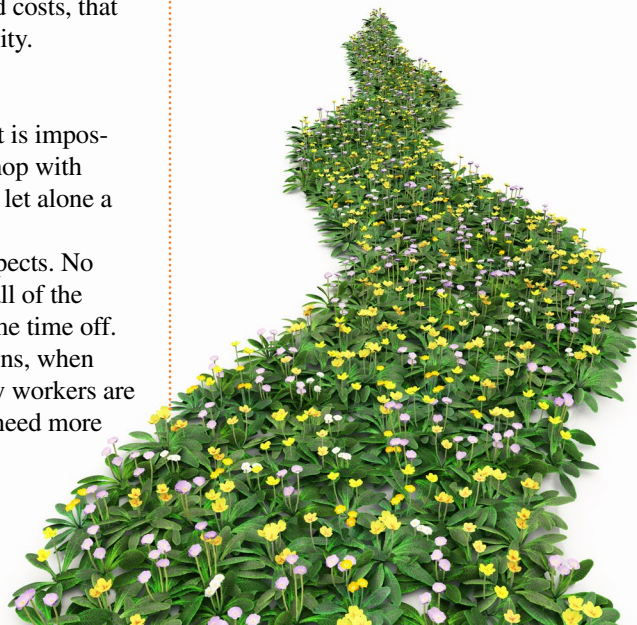
Shops that put the owner on the payroll are generally better managed and more profitable than those that do not. The average profitability numbers verify this.

Take the bottom line of the average shop with the owner/manager on the payroll. Add that owner/manager salary to the bottom line number. The total is substantially larger than the average profit of shops that do not pay the owner/manager a salary.

Why? Psychologically, putting the owner/manager on the payroll makes a big difference. The owner's salary is an expense that lowers the shop's net profit. The owner sees a smaller bottom line and responds with tighter management control.

The owner who isn't on the payroll has just the opposite perception. The income statement shows what appears to be a reasonable profit. There's no sense of urgency. The illusion of profits reduces the pressure to manage carefully.

If you want to maximize profitability, put yourself on the payroll. When you do, your true cost of doing business will be reflected on the bottom line. And you will be forced to deal more directly with important management issues. 🌸



Payroll in '16

Establishing a Budget

The idea of setting a payroll budget sounds pretty complicated. And pretty boring. But two considerations should put the task in a different light and give you a little more motivation.

First, you can't make money as a retail florist if your payroll is out of line. Second, crafting a workable payroll budget—one that will help keep your business on track—is really not that hard. With a few shortcuts, you can make the process both manageable and quick.

OVERVIEW

To create a meaningful payroll budget, you have to know what your goal is. What sort of labor cost should a shop such as yours experience?

In years past, cost of goods sold (COGS) was easily the single largest expense in a flower shop. Wages were a distant second.

That is no longer true.

If the owner/manager is not on the payroll, payroll should be no more than 20% of sales for shops doing less than \$500,000 (and slightly higher than 20% for larger shops).

Although total COGS is usually still higher than payroll, the two are much closer. Payroll has grown faster than other expenses. Wages have kept pace with inflation. The cost of flowers has not.

In fact, flowers are actually cheaper today, relatively speaking, than they were 15 years ago.

To be even more specific, COGS for arrangements (flowers, greens, containers and supplies) should not exceed 33% of sales. Total payroll, including taxes and benefits, should not exceed 30% of sales.

YOUR SHOP

Take a look at your own payroll. Some shops will have a labor cost (including taxes and benefits) greater than 30% of sales. Our experience at *Floral Finance* suggests that those shops will be hard pressed to make a decent profit.

The 30% figure is a good goal to shoot for, assuming the owner/manager is on the payroll. (For a multi-location operation, the target is 35%.) If the owner/manager is not on the payroll, payroll should be no more than 20% of sales for shops doing less than \$500,000 (and slightly higher than 20% for larger shops).

How should you allocate the total payroll budget among your designers, sales, delivery and office personnel? The shop's sales mix will have some impact on that. So will the way sales are generated (in-shop versus phone and internet sales). However, the following percentages are a good starting point:

Owner/manager wages: 10% of sales up to \$500,000 plus 5% of sales above \$500,000

Design wages: 10% (or less) of design sales

Sales wages: 6% of sales

Delivery/office wages: 4.575% of sales

Note: All these percentages include associated payroll taxes and other employee benefits.

PEAKS AND VALLEYS

The single largest issue in staffing a retail flower business is the peaks and valleys in the industry.

Every florist knows that February (Valentine's Day), April (Easter and Administrative Professionals Week), May (Mother's Day) and December (Christmas) bring bigger sales volumes

than at any other time. You sell at a much more moderate pace the rest of the year.

That's the problem. If you staff to handle the peaks, you end up with too many employees the rest of the year. Staff for the valleys, and you have too few employees for the peaks.

There is, however, a solution. Even during peak sales months, the busy times are fairly concentrated. In fact, all the busy periods from January through December represent only 30 to 45 business days. Each peak, in other words, is fairly short-lived.

Monthly Floral Sales

January	6.2%
February	9.9
March	6.8
April	9.1
May	12.0
June	7.3
July	5.6
August	6.9
September	7.9
October	7.6
November	7.5
December	13.2
	100.0%

TABLE 1

You don't have to cover four or five months of huge sales. As Table 1 shows, you have stable sales throughout most of the year, with just a few surges here and there.

To make a decent profit, a flower shop must staff for its non-holiday level of business—and then add extra help to cover the peaks.

THE APPROACH

To get your monthly payroll budget, you might be tempted to just take 30% of sales and divide that by 12. That would be quick, but it wouldn't be accurate.

Month	Regular Sales	Holiday Sales	Owner Wage	Design Regular	Design Holiday	Sales Wages	Other Wages	Total Wages	% of Sales
January	\$ 24,800	\$ 0	\$ 3,334	\$ 2,480	\$ 0	\$ 1,488	\$ 1,135	\$ 8,437	34.0%
February	21,200	18,400	3,334	2,120	1,380	2,376	1,812	11,022	27.8
March	27,200	0	3,334	2,720	0	1,632	1,244	8,930	32.8
April	21,200	15,200	3,334	2,120	1,140	2,184	1,665	10,443	28.7
May	21,200	26,800	3,334	2,120	2,010	2,880	2,196	12,540	26.1
June	29,200	0	3,334	2,920	0	1,752	1,336	9,342	32.0
July	22,400	0	3,334	2,240	0	1,344	1,025	7,943	35.5
August	27,600	0	3,334	2,760	0	1,656	1,263	9,013	32.7
September	31,600	0	3,332	3,160	0	1,896	1,446	9,834	31.1
October	30,400	0	3,332	3,040	0	1,824	1,391	9,587	31.5
November	30,000	0	3,332	3,000	0	1,800	1,373	9,505	31.7
December	21,200	31,600	3,332	2,120	2,370	3,168	2,416	13,406	25.4
Total	\$308,000	\$92,000	\$40,000	\$30,800	\$ 6,900	\$24,000	\$18,300	\$120,000	30.0%

TABLE 2 (note: All wage figures include payroll taxes and other employee benefits.)

The better approach is to base the plan on your monthly sales figures. Determine your non-holiday level of business for each month. Staff for that level, then add temporary and part-time employees for the busier days.

Using your own sales figures, fill out a spreadsheet using the steps that follow.

ESTABLISHING MONTHLY PAYROLL

Step 1. Owner's Salary

Give the owner/manager 10% of sales up to \$500,000 in sales plus 5% of sales above that. Divide that total salary by 12 to get the monthly wages for the owner. (For shops doing more than \$500,000 in sales, the 5% not given to the owner will be used to pay for the other managers.)

Step 2. Design Wages

An average design room is more efficient during holidays when production design techniques can be put into place. Consequently, design wages will be a lower percentage of design sales during these times.

Target 10% of design sales for normal, non-holiday times. Target additional design wages of about 7.5% of holiday design sales.

Step 3. Sales Wages

Wages for salespeople run a straight 6% of sales, holiday and non-holiday alike. Easy.

Step 4. Other Wages

Delivery and office wages are also fairly static. Use 4.575% of

sales year-round. No big difference between holiday and non-holiday times here either.

THAT'S IT

Table 2 shows how these calculations would work out for a typical shop with \$400,000 in sales. (We've assumed this florist's sales are spread throughout the year in the percentages shown in Table 1.)

If a flower shop has a good volume of gift sales, total payroll will be less than 30% because those sales won't have a design component.

To see how these results translate to your shop (assuming your sales patterns are similar), adjust for your level of sales.

For example, if you are doing \$800,000 per year, multiply everything by two. If you had \$300,000 in sales, multiply them by 0.75. (To get your multiplier, divide your shop's annual sales by 400,000.) If your sales do not approximate the national pattern in Table 1, calculate staffing levels using your own figures.

If you have more than \$500,000 in volume, remember that 5% of the sales above \$500,000 will be used to pay another manager's salary.

MAKING IT EASIER

A simpler approach to the staffing budget is to start with your payroll

expense for the previous year (including payroll taxes and benefits). If it was more than 30% of total sales, you need to get it down to 30%.

Review last year's figures to determine how many dollars you need to cut from payroll each month—and how many hours that translates into.

You can then go employee-by-employee to decide where you can make those reductions. If you have trouble deciding, tell your employees your target and ask if any of them would like some extra time off. Volunteers might solve the problem for you.

MAKING IT TOUGHER

Many shops sell lots of things other than flower arrangements. For those operations, budgeting for payroll is more difficult. The payroll budget will have more categories.

Sales and office wages for the additional sales categories can most likely remain about the same as a percentage. For garden centers, you will have to account for additional off-season help.

If a flower shop has a good volume of gift sales, total payroll will be less than 30% because those sales won't have a design component.

NO MATTER WHAT YOU DO

Keeping payroll under control is critical to your financial health and profitability. Working through a payroll budget is a worthwhile exercise. Make the effort. Then stick to the plan. 🍌

THE FAMILY BUSINESS

Family Relationships



If you talk to many retail florists who own and operate family businesses, you will quickly run across two different points of view on the relationship between work and family.

First are couples that love working together. They believe the opportunity to spend their working hours together is a great blessing. They embrace the intersection between their personal and business lives.

Second is a different kind of setup. One spouse operates the business. The other is employed elsewhere. These couples can't imagine working side-by-side every day and still maintaining a solid marriage.

Which view is right? Which sort of work/life balance is better?

The answer, of course, is "both" and "neither." Just as there are many individual personalities, there are many "couple" personalities. And those couple personalities can play out in a number of different ways in a family business.

What is right for one couple could be the undoing of another. Different personalities bring different expectations, abilities and baggage to every circumstance.

Either way, a few general insights can guide you to a successful family/work relationship.

DIVISION OF LEADERSHIP

When a couple clearly understands who's "in charge," things usually are much easier.

This doesn't mean one individual is a tyrant who forces the other to submit. Rather, one is—by personality—a leader and the other more naturally a follower. The natural leader doesn't have to force his/her way.

When two leaders with strong personalities try to work together in a close setting, however, clash is inevitable. If they want to keep their relationship viable, they probably will have to exercise their leadership skills in different venues.

DIFFERENT TALENTS

Couples who work well together usually have complementary skill sets.

One might be a creative designer.

The other, the operations-manager type. Together, such a

couple forms the perfect team. Both skills are needed to run an efficient and profitable retail flower business.

Each spouse sees the value of the other. Each allows the other to direct his or her particular segment of the business. Harmony is maintained.

However, when both spouses have the same talent, sparks are bound to fly. Two designers, for example, will both have their own ideas on how to run the design room. They will both think they know what creative style is best.

MULTIPLE LOCATIONS

A couple with similar personalities and skills would probably do better in a larger, multi-shop operation. Each part-

ner can be at a different shop. Both can flourish.

Smaller, single-store businesses don't have the same opportunity to "spread the talent around."

BASIC RULES

Even couples who are more prone to a happy working relationship will need to operate within some basic guidelines.

First, and foremost, it's important to separate your home life and your work life. When you get to the shop, talk business. As much as possible, leave home problems at home.

Similarly, don't try to solve business problems at the dinner table. When you are home, focus on family and family activities. Everyone needs a break from work. Home is the place to refresh and re-create yourself.

DON'T PUSH IT

Working together in a small business is often thought of as an ideal situation. With the right couple, it is.

If you and your spouse have complementary skills and personalities, go for it. If not, don't fight it. Live your lives together, but work separately.

Remember, tigers don't change their stripes, and most people also can't change who they are. Little adjustments? Yes. Major ones? No—life's too short. Be true to who you are. 🐯

IT'S
IMPORTANT TO
SEPARATE YOUR HOME
LIFE AND YOUR WORK LIFE.
WHEN YOU GET TO THE SHOP,
TALK BUSINESS. AS MUCH
AS POSSIBLE, LEAVE
HOME PROBLEMS
AT HOME.



PREPARE NOW TO SIMPLIFY YEAR-END INVENTORY

You know it's coming. The day on which you'll have to take a year-end physical inventory.

This may be one of your least favorite things to do. However, it is the only way to know for sure what your cost of goods sold (COGS) really was for 2015.

By planning ahead, you can make the job easier. The goal? To have to count as few products as possible.

TAKING STOCK

Informally, "taking stock" is a good place to start. Get a rough idea of what you have on display, on the shelves in your back room and in storage.

Again, you don't need a precise count. Just an approximation.

Knowing where you stand will help with your buying decisions. It also will provide the information that will help you reduce your stock before the year-end inventory.

ADJUST FOR CHRISTMAS

By now, you've already done most of your Christmas buying. However, you may still be able to adjust your order quantities for containers and other supply items.

Before ordering more, use up what you have on hand. Force yourself to use what is in stock.

USE WHAT YOU HAVE

A holiday is a perfect time to move old containers and giftware before they get any older. You won't be able to sell Easter containers at Christmas or other theme containers that don't fit the season. But you can sell many other old containers. All it takes is a little creativity.

Spread out what you have on a table. Ask your designers to gather around. Some of the old containers will make

you laugh. Others may make you cry. Don't get discouraged; almost all can be used one way or another.

Talk about color schemes that will mesh the containers with holiday themes. If you have a significant over-supply of one item, create a special around that particular container.

INCENTIVES WORK

Also, offer incentives to help your designers and sales staff sell arrangements that incorporate the old containers. Maybe a special bonus of 50 cents or a dollar for each container used.

Or make a contest out of it. Give away theater tickets to the designer and sales person who move the most each week. Have fun. Ring a bell each time an old container is sold. Note successes on a big sign in the back room. Anything to get your team on board and excited.

MORE THAN CONTAINERS

You can apply this practice with other products as well. For example, plush animals, balloons and gift items.

Try to build arrangements that incorporate one or more of these items. With a little creativity, you might be able to include several items in a single arrangement.

TAKE OUT THE TRASH

Admittedly, some items just aren't going to be sellable. They are too far out of date, out of style or just plain unattractive. Now would be a perfect time to recycle those items or throw them away.

Don't count them one more time. Get rid of them. By throwing away what you can't use and using what you can, your year-end inventory will go much easier. 🌸

FAMOUS FINANCIAL WORDS

"The executive exists to make sensible exceptions to general rules."

—Elting E. Morison

"We want to turn our inventory faster than our people."

—James Sinegal

"There is only one success—to be able to spend your life in your own way."

—Christopher Morley

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NORMS

NUMBER OF EMPLOYEES



INQUIRIES AND ANSWERS LETTERS

PRICING WEEKLY SPECIALS

“Should I use my normal pricing formula for my weekly special?”

That’s not what is most important.

A weekly special is used to bring customers into your shop on a frequent basis. It also can entice new customers to give you a try. Neither will happen if the special isn’t special. It needs to be inexpensive and give extra value for the price.

There are two ways to accomplish your goals. First, using a smaller markup. Or, second, buying bargain merchandise that will allow you to offer low-priced specials that are especially profitable.

A combination approach is probably most practical.

Ask your wholesaler or grower to let you know when they are trying to clear out overstocked or leftover items. Pass the good price along to your customers.

Since bargain purchases are not always available, you will have to use a lower markup for the weeks the bargain products are not available.

LONG-DISTANCE DELIVERIES

“How far should I make delivery available?”

Everywhere, but only locally.

As a retail florist, you can have product delivered wherever there is a fellow florist to send the order to. However, when it comes to your own deliveries, a neighborhood florist generally should not deliver outside of the neighborhood. If you do, be sure you charge enough to make the service worthwhile.

If you deliver too far away, you will probably lose money on the delivery. Delivery is expensive, and most florists do not charge enough to cover their actual costs. If your goal is to gain a new customer, that probably won’t happen either. No matter how good your products and services, the person you deliver to will likely go to their neighborhood florist the next time they want to order.

Service your local area. Don’t try to service someone else’s area for customers you will likely never see again.

The majority of retail florists have four or fewer employees. Of the retail flower shops that report having a payroll for tax withholding purposes, about two-thirds of them report four employees or less.

There are only a couple who report 100 or more employees. It’s just another indication of the relative size of retail florists.

So, the next time you’re tempted to think you alone represent the small retail florist, think again. The industry is made up largely of small retailers.

Source: U.S. statistics on Business by County.

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