

FINANCIAL INFORMATION,
EDUCATION AND CONTROL
FOR THE RETAIL FLORIST

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QuickTakes

*Ideas You Can Put
to Work Immediately*

1 Squeaky Clean

Think of the practices you follow with customers and employees. How would you feel if each one was featured in your local newspaper or on social media?

Would that make you uncomfortable? If so, rethink the policy. Business practices that can't withstand the full light of publicity probably are working against your long-term success.

2 Difficult Relationships

In a difficult relationship, focus on the issue rather than the other person. Shift your thinking from the person's actions or words to the challenge the two of you are trying to address.

Also, avoid making global statements. They rarely move a conversation forward. Concentrate on one issue at time. When that issue is resolved, move on to the next one.

3 Take Action

Too often, we expand our base of knowledge without doing anything with that knowledge.

Capitalize on your learning. Put new lessons and ideas into immediate action.

Adding to your knowledge is good. Seeking practical application for that newfound knowledge is even better.

SELF-IMAGE



What do you think about yourself? Be honest. Do you see yourself as a winner? You should.

What you think about yourself makes all the difference when it comes to how you perform at work and your overall quality of life.

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

If you consider yourself as a so-so performer or even as a loser, you will only occasionally exceed your own perception.

Conversely, if you see yourself as a high achiever, you will more consistently reach your goals—perhaps even more than you would have ever imagined.

If you don't see yourself as a winner, take action to change your self-image. First, make it a practice to think positive thoughts. Positive thoughts lead to optimism and a brighter outlook.

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

Next, leverage those newly acquired positive thoughts into action. Perhaps do something nice for someone in your shop, or even simply initiate a positive conversation.

Every positive thought and action will improve your self-image. And that, in turn, will boost your performance.

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CREDIT CARDS

Preventing Fraud



Credit cards have many advantages.

First, they help cash flow. You receive payment almost immediately. A credit card sale is closer to a cash transaction than a house account charge. You don't have to wait until you have time to send a bill and then wait even longer for the customer to pay.

Second, credit cards eliminate the hassles of accounts receivable. House accounts may be a nice service to offer. But they require both time and expense—two commodities that are in short supply in most flower shops.

AUTHORIZATION

Although credit cards carry less risk than house accounts, you can, and will, have occasional bad debt.

You might think the credit card company's approval guarantees the charge will be honored. It does not. Here is all the authorization means:

- The card number is valid.
- The card has not expired.
- The card has not been reported stolen or lost.
- The cardholder, at that point in time, has not exceeded his or her credit limit.

The card could, in fact, have been stolen. The cardholder just may not yet know it or have not notified the credit card company.

TELEPHONE ORDERS

Among all retail trades, flower shops probably have the highest percentage of telephone orders. Phone orders are a great convenience for the flower-buying

public. Unfortunately, they also create more credit card trouble than in-house orders.

The reason? You don't get a signature on a phone order. That opens up greater possibilities for chargebacks.

WHY CHARGEBACKS?

Remember, an authorization only verifies the information listed at left. Nothing more. Consequently, an authorized charge can be charged back as a result of:

- *A delivery complaint.* The flowers arrived on the wrong day, were delivered to the wrong address or were not delivered at all.
- *A merchandise complaint.* The customer complains that the merchandise was unacceptable because the flower quality was low or the product was not what she ordered.
- *Unauthorized use.* Typically, this occurs when a child charges a purchase without parental permission.





HOW TO PROTECT YOURSELF

Reduce the Most Common Sources of Fraud

- ✓ Get back-up information. Request a day or home telephone number.
- ✓ Watch for suspicious orders. Be on alert when:
 - Customers send flowers to themselves.
 - A large order originates in a low-income area.
 - The name on the credit card does not match the name on the enclosure card.
 - A cardholder declines to sign an enclosure card.
 - A customer says, "Money is no object."
 - A cardholder does not want to give you a telephone number.
- ✓ On suspicious orders, call the telephone number to verify the order.
- ✓ Remember, no person other than the one whose name and signature appear on a credit card is authorized to use the card.

YOUR EXPOSURE

Months after a charge is made, a customer may question the transaction and request a copy of a charge slip. If you don't provide the requested proof on a timely basis, odds are you'll get charged back.

Even after you provide the backup information, a customer may still claim the purchase was unauthorized or unacceptable.

Fortunately, unauthorized and unacceptable merchandise claims must be made promptly. If such a claim is made four or five months after the transaction date, the credit card company will require the customer to produce very convincing proof.

Don't take chances. Keep good records on all credit card transactions. And if you receive a request for proof of a transaction, respond immediately. That's the only way to protect yourself.

Don't Allow Prohibited Transactions

- ✓ Don't let anyone obtain cash advances from you with a credit card.
- ✓ Don't process credit card drafts for sales made by another florist or entity.
- ✓ Don't process a credit that does not directly relate to a previous order processed through that same credit card company.

originate when an employee processes unauthorized credits.

To minimize chargebacks and fraud, study and apply the following three safeguards.

1. Let only trusted employees handle credit cards.
2. Check your shop's daily credit card activity for unusually large charges or credits. Investigate any suspicious activity.
3. If you suspect a problem, call your credit card processor for help.



Merchants are guilty until they can prove themselves innocent. Obviously, that puts retailers in a difficult position.

Added to this is the reality that fair credit and privacy laws generally favor the consumer over the retailer.

EXPECT SOME BAD DEBT

Florists typically have bad debt of less than 1% of sales. (Credit card companies experience bad debt losses of 3% to 4%.) So, don't be too upset when an occasional bad debt comes along. It's part of the retail game.

At the same time, don't let your bad debt get out of hand.

INTERNAL PROTECTION

Credit card fraud isn't always traceable to a customer. It also may

FORECASTING CASH FLOW



If you neglect doing a cash-flow forecast, you do so at the risk of your financial health. It is arguably the most important forecast you can make.

Without cash, you won't be able to pay your bills, and your business will fail. It's as simple as that. Even florists with high sales volumes will struggle when too many sales are charged to house accounts. If the charged sales don't yield cash quickly enough, the business may not survive.

House accounts are a great convenience for the consumer. However, when not properly managed, they can cause significant cash problems.

Many florists get 80% or more of their daily sales over the phone or from their website. All those sales are charged—some to credit cards and others to house accounts.

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

Undercapitalization is the single most common reason businesses fail. There's just not enough cash to keep things going. A cash-flow forecast reveals how much capital will be required beyond that produced by daily operations.

A new shop may need several years to generate enough cash to maintain itself. A cash-flow forecast will identify exactly how much cash the business will need to get from here to there.

For an established business, a cash-flow forecast will show whether any months will produce a negative cash position and how much cash a shop will need to get through the shortage.

Retail flower shops typically run short of cash during holiday months. Why? Expenses are up. And the cash from house charges won't show for one to six more weeks (depending on how often the shop sends invoices).

CASH FLOWING INTO THE SHOP

The first part of the cash-flow forecast shows how and when cash will come in. This can be accomplished in four easy steps.

First, estimate your sales for each month. The easiest way to do this is to look at last year's monthly sales. Adjust the historic amounts up or down by how the current year's sales compare to last year.

Second, estimate what percentage of each month's sales will be made with cash or cash equivalents (checks and credit cards, which can be deposited immediately). If 50% of your sales are charged to house accounts, only 50% of your sales will turn into cash immediately.

Third, estimate how house account payments will come in. For example, 60% of a given month's receivables might come in during the next month, another 30% in the second month and the final 10% in the third month.

Suppose you did \$10,000 in sales in the current month. Using the above assumptions, you would get \$5,000 in cash immediately (50% of \$10,000). Of the remaining \$5,000, you would get \$3,000 the next month (60% of \$5,000), \$1,500 the second month (30% of \$5,000), and \$500 the third month

(10% of \$5,000). If this were your experience, the following table would summarize your shop's cash flow.

MONTH	CASH RECEIVED
CURRENT	\$ 5,000
MONTH 1	3,000
MONTH 2	1,500
MONTH 3	500
TOTAL	\$10,000

Fourth, apply these percentages to your forecasted sales with a simple spreadsheet. Set up columns for each month and rows to spread incoming cash across the months when the cash will be received. Then, add the entries in each column to see how much cash you will receive for that month.

To be conservative, don't forecast any cash from receivables that are 90 days old. Turn them over for collection at 90 days and enter them as bad debt expense until they are collected.

CASH FLOWING OUT OF THE SHOP

The second part of the forecast shows how cash will flow out as you pay for product purchases and other expenses of running your shop.

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

Precisely calculating which expenses will be paid in the current month and which will be paid in the following month(s) would be a lot of trouble. To simplify your forecast, replace every product sold each month, thereby keeping your inventory at a constant level. Also assume that you pay all

expenses immediately upon receipt of the invoice. This approach will result in amazingly accurate results.

To estimate your monthly cost of goods sold (COGS), use your pricing formula. For example, if you double the cost of your gifts (a keystone markup), your monthly COGS for gifts should be 50% of sales, assuming no loss due to shrink (discounts, breakage or theft). To be even more accurate, add 2%-3% for shrink (for a total of 52%-53%).

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

NET & CUMULATIVE

Subtracting a given month's COGS and expenses from the total cash coming in that month will reveal your **net cash flow** for the month. A positive number will show that more cash came in than went out. A negative number will show that less came in than went out. It's normal for florists to have a few negative months each year, especially during holidays.

Then add each month's net cash flow to the previous month's balance. This will give your cumulative cash flow. As long as cumulative cash flow is positive, you have enough cash to run your business. If it becomes negative, you will need more cash.

Extra cash can be brought into the business in five ways:

1. Increasing sales
2. Decreasing expenses
3. Collecting receivables more quickly
4. Investing money in the form of additional paid-in capital
5. Borrowing money.

After looking at your cumulative cash-flow picture, you can determine what, if any, measures need to be taken. 

Retail flower shops typically run short of cash during holiday months.

CASH-FLOW FORECAST IN BRIEF

STEP 1 Forecast your sales for each month of the year.

STEP 2 Base your monthly COGS estimates on your pricing formulas and your monthly expense estimates on your shop's results from the prior year.

STEP 3 Determine how much of your sales will be paid by cash or cash equivalents (checks and credit cards that can be deposited immediately). Estimate what portion of house charge sales will be paid in each of the three months following the charge. Use these estimates to calculate the percentage of each month's sales that will be received immediately and in the following three months.

STEP 4 Create a spreadsheet with columns for each month and rows for each month's various categories of cash flow. For each month, enter your sales and use the percentages derived in Step 3 to determine the cash you will receive from those sales and sales made in previous months. Add all incoming cash elements to determine total incoming cash for the month.

STEP 5 For each month, subtract your expected product purchases (COGS) and expenses from projected incoming cash to get your net cash flow for the month.

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

The Profit Minded Florist, available from Teleflora (**800-421-2815**), has a chapter on "Forecasting Cash Flow" and associated forms in the forms section.

No Guts, No Glory

Traits of the Successful Entrepreneur



What makes a person a successful entrepreneur? Is it a calling that can't be ignored? Is it a drive to create something new? Is it temporary insanity?

Maybe all of the above. But one thing is certain: Some important traits are common among successful entrepreneurs.

You probably see how some of your personal characteristics are more conducive to your role as an entrepreneur than others.

That's why taking time to assess your entrepreneurial abilities is a helpful practice. In what ways do you excel? What areas of your skillset could use some further attention? A little understanding about yourself and your role will take you a long way.

INDEPENDENT

Successful small business owners are comfortable working independently.

There isn't always a ready-made pattern or formula. You must create your own organization and motivation.

In addition, small business owners often work alone for many hours at a time. That can be difficult if you need the stimulation of other people to stay motivated.

You must set your own goals, create a strategy to reach those goals and then remain motivated to follow the plan.



You
may be a
designer
one minute.
A salesperson
or bookkeeper
the next.

ADVENTUROUS NATURE

Successful entrepreneurs are risk-takers. Building something from nothing takes money, time and energy.

If you want to succeed, you must be willing to put your financial security and even your ego on the line.

How comfortable are you walking away from the protection of preconceived processes and defined roles, including a guaranteed paycheck every other week?

If the answer is "not very," entrepreneurship may not be right for you.

LONG-TERM VIEW

You must launch your dream at the right time, and then have the wisdom to learn from the process and the patience to wait for the rewards.

Most success stories require time before they play out. You can't be too impulsive. You must stay the course. It may take a year, two years or even more to penetrate a new market.

ABILITY TO SELL

A successful salesperson, a skilled bookkeeper and an outstanding designer are all experts in their fields.

But professional skills alone don't necessarily translate to entrepreneurial success.

Without the ability to get out there on your own and sell yourself and your shop to your customers, you won't survive. You have to be something of a promoter at heart.

TOUGH EGO

You must be able to take setbacks, admit errors and learn from the whole experience.

Mistakes are part of the game. You can't hold on to them too long or take them too personally. If you do, you'll cost yourself more than money and time. You'll also miss out on future opportunities.

FLEXIBLE

Florists find themselves tackling many different jobs on any given day. You may be a designer one minute. A salesperson or bookkeeper the next.

Successful entrepreneurs are flexible enough and creative enough to enjoy this diversity. If you need clearly defined and rigidly enforced roles, you're likely to be frustrated.

WHERE ARE YOU?

Some of these abilities and traits may not be inherent in your personality. That's okay. No entrepreneur is equally gifted in each area.

A simple and honest assessment of your entrepreneurial skills and shortcomings is the place to start. Once you know your natural weaknesses, you can develop a plan to reduce or compensate for them. ☀

BUSINESS INSURANCE WHAT Do You NEED?

We all know bad things can happen. Vans get in accidents. Fires burn down buildings. Employees are injured on the job.

If every business that experienced a loss had to pay for it without help, many would be ruined financially.

However, catastrophes don't strike every business, and they don't all happen at the same time. Should you gamble that nothing bad will happen and save yourself the premium? And that, if something does happen, you'll have enough cash to keep the business afloat?

Insurance provides a different solution. Everyone agrees to pay a small amount of money each month or year into a pot to help those that, unfortunately, do suffer catastrophes.

In a nutshell, insurance is a way to spread the risk.

EVERYONE WINS

Let's say you never have had an accident. You're careful. And probably lucky. With insurance, you still win. You can sleep in peace knowing that an accident won't wipe you out.

If you are the victim of an accident or catastrophe, your insurance covers the cost (or most of it) to repair or replace the damaged items. All for a small amount of money—the premium.

COVERAGE TYPES

So, insurance is a good thing. The challenge is knowing what insurance is necessary and how much coverage you need.

In today's world, you can insure yourself against almost any eventu-

ality. However, common sense must reign. Only when there is a reasonable risk that an expensive loss could occur should you pay for coverage.

Let's discuss four common types of business insurance. All are essential. Take a look. Assess if you have what you need.

Remember, you can be sued by anyone, anytime for anything. You even could be sued for something an employee did during working hours. It's all part of our "sue-happy" society.

Liability insurance often includes a business policy that adds protection against loss of property due to theft or natural disaster.

It also may have a business interruption clause that gives you immediate cash if a catastrophe shuts you down for a period of time.

The cost of liability insurance is minimal. The protection is great.

Automobile Insurance

This one is well understood—coverage for your vehicle and other property damaged while the vehicle is in use. It also often covers medical costs for injuries suffered in an accident involving your vehicle.

Most states require proof of insurance before you can license a vehicle.

Make sure you include coverage for non-owned vehicles used for shop business. This protects you from lawsuits when employees use their own cars to run an errand or make a delivery. It's very important.

Worker's Compensation

This one is required by most states. Worker's compensation insurance protects your workers in case of an injury on the job.

Other Insurance

There are many other types of business insurance. Talk to your insurance advisor about all the options.

Just make sure you really need the coverage before you write the check. 



Fire Insurance

These policies provide coverage for loss due to a fire. You also usually can add coverage for hail, wind, vandalism, smoke, explosions and malicious mischief to your basic policy.

The challenge is determining the scope of the protection you need. Should you be insured for the cost of the items or for their replacement value?

What will you insure? The building only? The contents you own? What about items you don't own but that are in your possession?

Even if you don't own your building, you need some insurance against losses due to a fire.

Liability Insurance

Liability insurance protects you if someone is injured on your property. Many of these policies also now cover personal claims, such as libel and slander.

INQUIRIES & ANSWERS Letters

PRICING SETS

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

There certainly is.

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

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

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

INVOICES OR STATEMENTS

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

Only if you want to get your money more quickly.

The sooner someone receives a bill, the faster they will pay.

And that's not just because they get the bill sooner. If you take a while to send the bill, the customer usually will take a while to send the check. Often, the customer will wait about the same amount of time to send the check as you waited to send the bill. If you send it right away, they'll usually pay right away.

There is no better time than now to change your procedures. It's definitely in your best interests to bill quickly. Send invoices at least weekly.

NORMS

BASIC RULE



80/20

It's a basic rule: 80% of your business comes from 20% of your customers, and 80% of your problems come from 20% of your customers.

Focus your energy where it has the biggest return.

Make up a list of your top 20% of customers. How much of your revenue do they bring in? What have you done lately to promote your relationship with these key customers?

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

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