

FINANCIAL INFORMATION,  
EDUCATION AND CONTROL  
FOR THE RETAIL FLORIST

# Floral Finance®



## INSIDE THIS ISSUE

<b>FROM THE PUBLISHERS:</b> <i>How Blessed Are You?</i> .....	Page 2
<b>SAFEGUARD YOUR CASH:</b> <i>Stop the Thief</i> .....	Page 2
<b>BUILDING YOUR TOP LINE:</b> <i>Elements of Successful Growth</i> .....	Page 4
<b>CASTING A VOTE FOR HOLIDAY SUCCESS:</b> <i>Your Christmas Advertising Plan</i> .....	Page 6
<b>BY THE BOOKS:</b> <i>A Commitment to Success</i> .....	Page 7
<b>INQUIRIES &amp; ANSWERS:</b> <i>Tax Records; Donating a Van</i> .....	Page 8
<b>NORMS:</b> <i>Shop Closings</i> .....	Page 8

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## QUICKTAKES

**Ideas You Can Put  
to Work Immediately**

### 1 Learning Environment

Learning builds enthusiasm and increases productivity. So don't limit your employees' learning experiences to formal seminars and conferences. Expand to include in-house training and interaction.

During these sessions, ask experienced designers to share their best techniques. Have salespeople share what they hear from customers about what they want.

### 2 Be the Message

You've heard it before, but it's worth repeating: "Your actions speak so loudly, I can't hear what you are saying."

It's what you do—not what you say—that is more powerful.

Check yourself. Would you like your employees to do exactly what they see you doing? If not, make some changes. Lead by example!

### 3 VIP Customer Outreach

If you try to treat every customer the same, they will get so-so treatment. No one will be treated especially well.

Determine who your "A-list" customers are: The people who buy the most—and most often—from your shop. Create a strategy that will put you in touch with these VIPs at least once a month. They're your best customers. Treat them accordingly.

## HOW BLESSED ARE YOU?



We humans too often take for granted that which has become normal in our lives. Cars, homes, work, vacations, leisure, cable or satellite TV, the internet.

On several occasions, I have had the privilege of visiting former classmates who are missionaries in Tanzania. Being in a developing nation puts things in perspective.

Tanzania is one of the two poorest countries in the world. People who are born there do not have the freedom to leave. They are in a world with little opportunity and very few options.

What a contrast to our Western culture. The lifestyles of the poor in North America would be envied by most Tanzanians.

How fortunate we are. And yet we often neglect to see our situation from that vantage point. We may be focusing only on our immediate needs. We may be struggling to meet payroll or pay the mortgage. We may feel overwhelmed and even oppressed by our obligations.

Yet the opportunities available to the average North American are unbelievable. Merely going into a Walmart superstore would blow the mind of the most Tanzanians.

Those of us in the floral industry are blessed twice over. We get to work in a business that brings joy to virtually all of our customers. How much better can it get?

Next time you're tempted to get down about something, reflect on the many opportunities you enjoy. It may help change your perspective.

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# SAFEGUARD YOUR CASH



## Stop the Thief



Last month, we talked about theft, fraud and shoplifting. This month, let's take a closer look at employee theft and cash security.

Every day, people steal from retailers. Before the day's cash receipts are deposited in the bank, someone gets their hands on the money. Even worse, when theft happens, the owner is often clueless as to who did it.

### DISHONESTY PAYS

Although honesty is the best policy, dishonesty also pays. That's why theft is alive and well. People with dulled moral consciences see opportunities to enhance their wealth by taking what is not theirs.

Typically, the larger the company, the greater the resources that go into theft protection and safeguards. Annual audits involve more than just verifying that the accounting was done correctly. They also check for fraud and ensure the company has adequate security procedures.

### SEPARATION OF TASKS

Separating tasks is the key to sound cash procedures and theft prevention.

One example of effective separation of tasks is found at the local movie theater. Have you ever thought it was a waste of payroll dollars when the theater has one person sell you a ticket and another person a few steps away tear your ticket in half and let you in?

Why not have one person both sell the ticket and let you in?

The answer: theft prevention. By separating ticket selling and ticket taking, the theater has set up a significant barrier to employee theft.

If a single person did both tasks, he or she could easily take your money, let you in without a ticket and then pocket the cash. When two people are involved, both would have to cooperate in order to steal the money.

Although using two employees doesn't totally rule out the possibility of theft, it certainly makes it far more difficult. As an added precaution, theaters use sequentially numbered tickets to tell the accounting office how much money should be in the till.\*

Just as in a movie theater, separation of the tasks involved in handling your cash is the best way to hamper thieves. Every shop owner should take appropriate steps to separate financial tasks.

### DAILY CASH CONTROL

What does a complete system of daily cash control look like in a flower shop?

\*Interesting sidebar: Although there are many reasons why theaters have shifted to multiple-screen facilities, keeping payroll low is one of them. Costs are lowered by spreading ticket-seller and ticket-taker salaries over several different movies with staggered starting times. Payroll costs at the concession stand also are minimized.

First, you need to separate the task of counting the cash in the drawer(s) and making bank deposits from the task of entering sales and closing out the register at the end of the day. Two different functions. Two different people.

Second, the cash should be counted every day. The more frequently cash is counted and deposited, the fewer the number of people who are involved. The more people who are involved, the greater the number of potential suspects. It's easier for a thief to avoid detection.

Ideally, every day should start with the same change fund in each register. Say, \$100.

At the end of the day, ring out the register. Then bring the cash drawer and register tape to the office. Have another person dump everything on the desk, count out \$100 and put it back in the drawer as the beginning change for the next day.

Theoretically, the amount of money and receipts on the desk should match the register's summary tape. When it doesn't, one of three things has happened: incorrect change was given out during the day, a paid-out receipt is missing or money was stolen.

When the cash is off by a small amount, you can usually chalk it up to incorrect change and call it cash over/under for the day.

If the cash is off by a larger amount, you should be suspicious.

And if you are consistently off by \$5, \$10, \$20 or more, you almost certainly have a thief.

If your suspicions are aroused, don't say anything at first. Letting your suspicions out too early may drive the thief into hiding for a while.

Instead, start writing down who worked with the cash each day in a log. Look for patterns of cash being short on the days when certain employees are working.

With patience, you should be able to identify and confront the thief.

Counting your cash daily takes a little effort, but that effort will significantly boost the effectiveness of your theft-prevention efforts.

#### SECURE YOUR CASH

Once the register is emptied and the cash is counted, you of course have to get the money to the bank.

If you don't make the deposit that day, lock the cash up somewhere out of sight.

Many people who don't set out to steal can succumb to the temptation of unattended cash. If you don't have a safe, a lock box will do.

Keep the lock box and the key in different locations. If you don't keep

the key on your personal key ring, put it in the register. The box should be someplace where you can watch it—and not near the register. Notice that this is another example of separation—in this case, the physical separation of the key from the box.

Separation makes easy tasks more complex, thereby making stealing more difficult and enhancing security. ☺



## EMPLOYEE SAFETY



**R**obberies are, unfortunately, too common in our society—especially in hard economic times. As a business owner, you are responsible for protecting not only your cash but also your employees.

Do not require employees who stay late to make bank deposits on their way home. If you do, you're taking unnecessary risks. Thieves love darkness.

In fact, to really reduce the danger, consider putting the day's receipts in the safe at the end of the day. Then, count the cash and make your deposit the next day. You won't risk the safety of employees who must stay late to count cash. (You also will save on the after-hours payroll.)

Deposit money in the light of day. Use different employees to make the deposits. And vary the time of the daily bank runs so any bad guys who are watching won't be able to detect a pattern.

Always remember: People are more important than money.

# Building Your Top Line

## Elements of Successful Growth

There's no question about it. Successful retail florists concentrate on both the bottom line and the top line. After all, what good are sales if you don't turn a profit?

Many owners assume more sales will solve their profitability problems. That's simply not true.



### Cardinal Rule

If you aren't profitable at your present level of sales, you normally won't be profitable with more sales. On the other hand, if you are profitable with your present sales, you'll be even more profitable as sales increase.

### A SIMPLE CONCEPT

Once you get your financial house in order, it's time to focus on the top line: increasing sales.

To boost sales, you must do one (or more) of the following things.

#### 1. Increase Customer Base

This is where most florists focus their attention: getting new customers.

You already know how much a typical customer buys from you each year. You can increase sales by adding new customers who also will buy that much.

#### 2. Increase Average Order Size

One way to do this is by raising your prices. However, higher prices could

drive customers away. So don't rush in that direction without careful planning. Make sure the market will bear higher pricing.

Increasing prices is particularly dangerous in today's economy. Not only are customers looking for good bargains they also are looking for significant discounts.

If the economy moves into a deflationary cycle, you eventually will have to lower your prices to be competitive. Not a pretty picture, but one that might happen.

The safest way to increase your average order size is through add-on sales and

up-selling. Show customers how small enhancements or additional flowers will bring them greater value and satisfaction.

#### 3. Increase the Frequency of Purchases

Get the twice-a-year buyer to make three purchases. Or a one-timer to buy twice. Build loyalty and interest. You will increase the top line.

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These are the only three ways to increase sales:

- More customers
- Bigger sales
- More purchases per customer.

Do one of these, and your business will grow linearly. Do two or three, and it will grow exponentially.

The question is this: How can you make it happen?

### ANALYZE & MEASURE

First, look at your current and past marketing activities.

**The 80/20 Rule** If you're like most businesses, **80% of your sales come from just 20% of your customers.** And yet, you may not be giving those top customers the extra appreciation they deserve.

What additional products and services can you offer your best clients? What options that might be too expensive for the average customer would be well spent on the top 20%? Remember, these accounts are worth a lot to you.

Go even deeper with your biggest customers—the top five or 10. Ask these VIPs out to lunch or dinner every six to 12 months. Keep the conversation fun. At the same time, always ask what you can do better to meet their needs.

For large corporate accounts, don't take the president out unless you two already have a personal relationship. More important is the person who controls the decision of whether to call you. Most likely, that will be the office manager or an administrative person.

**You are grateful for these VIPs. Make sure they know it.**



What works and doesn't work in your shop? What's the best thing you've done? The worst?

To gauge the effectiveness of your marketing, you must measure results. That's why you should track the success of each promotion. Facts are much more reliable than going with your gut feeling on what is working.

from you. They can go to a competing flower shop. Or they can purchase a different product or service altogether that they think will better meet their needs. You must convince them that you are the right choice.

With existing customers, you have an advantage right from the start. They already have a certain amount of trust

and increase the frequency of purchases from their existing clientele.

### LIFETIME CUSTOMERS

Marketing guru Jay Abrams says, "Marketing is the continual education of a customer or prospect for the life of that person on the advantages and benefits your company or service brings to them that no one else does."

Most businesses think of customers in terms of the immediate order. That's short-sighted. The real issue is not the current order but rather the lifetime value of this customer to your business.

Continually resell your business and services to present customers. When you build their trust, more purchases will follow.

### OTHER INDUSTRIES

Florists who have been in business for years have learned important lessons about how the industry works.

That's both good and bad. The good side is that experience can help you avoid common mistakes and pitfalls. You've been there before. You know better.

The bad side is that you may become blind to new and possibly better ways of doing things.

As you're looking to increase the top line, constantly watch how other industries approach their marketing—from social media to direct mail to promotional campaigns to strategic alliances.

### GET GOING

Growing your top line—and marketing it—is not an exact science. What works in one situation might not work well or at all in another.

The key is to get your mind out of neutral. Keep searching for new ways to meet your customers' unique needs and wants.

Do some brainstorming. Write out a list of ideas. You might be surprised at what will surface. Not every idea will be a good one. However, it only takes one or two to make a big difference in that top line. So get busy. 



## Marketing Toolkit

### WEBSITE

A strong website is fundamental to the success of any marketing strategy these days. Use your website to capture what working with you will bring to the customer. Create the experience with photos, focusing on the lines and services you wish to promote—from funeral work to botanicals to weddings and beyond. All of your other marketing communications can point to your website to provide more information.

### EMAIL MARKETING

Email marketing has replaced direct mail in most cases because it is less expensive and often more effective.

Email marketing and other online social media tools provide statistics that give valuable feedback on the effectiveness of your campaigns. You can see what percentage of recipients actually open your email, as well as the number who click through to a specific offer or product.

### SOCIAL MEDIA

Social media is now one of the core elements of most marketing plans. Facebook, Instagram, Pinterest, Twitter, YouTube—use them all to increase your reach with your customers.

### PRINT

Direct mail, although expensive, remains an excellent way to maintain and grow your customer base. You can send mailers to your customer list, to a segmented portion of your list, or to residences and businesses near your location. Other forms of print marketing, such as directory listings and statement stuffers for those customers still using house accounts, also can be valuable elements of your marketing strategy.

Once you know what works and what doesn't, ask yourself why. What is the difference between the winners and losers? Can the techniques in one successful campaign be adapted to other campaigns?

This analysis will probably lead you to abandon some old marketing methods. It also can prompt ideas for improving other efforts.

### CUSTOMER-FOCUSED

Clearly state how your services and/or products will meet the customers' needs. How you help them achieve their desired outcome.

Remember, your customers are not really buying flowers. They are buying a result. Satisfaction. Romance. A gift that will be well received. Focus on the benefits you can bring—not simply the products you sell.

Also remember that customers have two other choices besides buying

in you. All you have to do is build on that trust.

With new customers, you have to gain their trust.

### STRATEGIC ALLIANCES

Consider who else in town serves the same kind of customers as you. Maybe you could come together for some joint marketing.

Big businesses use this tactic. For example, years ago McDonald's began to look for ways to increase sales in existing markets without adding more freestanding locations.

So they began experimenting with strategic alliances. First, they opened restaurants inside Walmart superstores. Now they are experimenting with locations inside convenience store chains.

Through these efforts, McDonald's has found a way to expand their availability. They will add new customers

# Casting a Vote for Holiday Success

## Your Christmas Advertising Plan



### Measuring Your Advertising Results

- ✓ How many customers responded?
- ✓ How many sales did you make?
- ✓ What was the cost per sale?
- ✓ Did one group of customers respond more than others?
- ✓ Was the promotion worth the expense?

Developing your shop's advertising plan is a little like voting. Those who choose to vote have decided which candidate deserves their support. And those who choose not to vote also are making a decision.

Why? Because not voting is a "no" decision. Not voting for the candidates or issues you believe in is the same as voting against them.

The same goes for advertising. All businesses have an advertising plan—whether they know it or not. These plans range from no advertising at all to a highly detailed promotional strategy.

At best, having no advertising plan will lead to questionable results. At worst, it is a "vote" for failure.

#### BUDGET

Like most other business decisions, planning your advertising boils down to money. The amount you can spend will determine how much and what kinds of advertising you can do.

Your advertising budget should be tied to your sales volume. Most shops spend between 3% and 4% of gross

sales on advertising. That means for each \$100,000 in sales, \$3,000 to \$4,000 goes to advertising.

Some florists spend the bulk of this money on major holidays with little, if any, advertising during the off-season. Their philosophy is to "shoot the ducks when they're flying."

For example, Christmas accounts for approximately 14% of the average florist's annual sales. Assuming this is true for your shop, you would allocate 14% of your annual advertising budget to Christmas.

#### WHAT TO ADVERTISE

Once you have set a budget, you are ready to choose which items you will promote and the theme or tone for your advertisements.

#### Season Opening

Your Christmas advertising might kick off with a post-Thanksgiving newspaper ad or an announcement of a holiday open house.

Some florists promote their open houses broadly. Creating a Facebook event is a great way to spread the word broadly. Other florists focus on a select group of VIPs. An email promotion, direct-mail announcement or statement stuffer work well to reach targeted customers.

#### Special Products/Services

Special products and services often will be at the core of your holiday advertising.

Perhaps a one-of-a-kind gift item purchased just for the holiday season. Or maybe a unique "Santa Claus delivery" option. Find something out of the ordinary that is in keeping with the season. Something that is likely to generate a little excitement.

#### Pop-Up Sales

Things won't always go according to plan. So plan for the unexpected.

Halfway through the season, you may see that poinsettias aren't moving as quickly this year as last. Or perhaps you discover that you bought too many ornaments.

Be prepared. Keep some advertising dollars available to promote specials on these items during the season—before it's too late.

#### Closeouts

At the end of even a successful holiday season, you'll have some seasonal merchandise and containers left over.

It's always better to move out leftover inventory than store it. So promote a special half-price sale. Savvy consumers will be expecting it.

In fact, some retailers start their half-price holiday sale on Christmas Eve to get ahead of the game.

Note: Allocate the bulk of your advertising budget to your season opener and holiday specials. That is proactive advertising.

Half-price sales and closeouts at the end of the season are defensive in nature. They may require a few advertising dollars but not nearly as much as your other promotions.

#### MEDIA SELECTION

With your seasonal specials selected and a budget in place, you're ready to decide how you will advertise. See page 5 for an overview of media options.

#### LEARNING PROCESS

Your best guide for today's difficult decisions is often your past experience.

Keep detailed records every holiday. Track the results of each advertising campaign. Then rely on those notes when the next season rolls around.

Repeat winning strategies. Abandon promotions that didn't work unless you know exactly what went wrong and how you can fix it.

If you're willing to plan and willing to learn, the effectiveness of your holiday advertising will grow with each passing year. 

# A COMMITMENT TO SUCCESS

**E**very florist has his or her own definition of success. Depending on the person, success could take many forms:

- Developing or refining creative and design skills;
- Providing employment and a positive environment for others in the community;
- Building a healthy and loving family;
- Growing a business that will

give the next generation a head start in a difficult world.

One thing, however, is clear: Whatever your definition of success, a profitable shop is the vehicle that will take you there.

An unprofitable business won't be around for long. A business that maintains a respectable level of profitability can produce all of the benefits above—and more.

## WHAT IT TAKES

At first blush, the best route to profitability may seem unclear. After all, some profitable flower shops are big businesses. Others are small.

Their owners range from second- and third-generation florists to entrepreneurs who simply selected this industry from a list of many possibilities.

Profitable shops may emphasize anything from high-profile, high-style party work to routine, low-dollar traditional designs.

If shop size, the owner's background and design emphases have little to do with profitability, what is the secret?

It really is no secret. Profitability is a function of three prerequisites.

## Profitability Prerequisites

1. **Making a decision to do what it takes to get in the black.**
2. **Maintaining tight control of design room procedures, staffing and facilities expenses.**
3. **Following through.**

If you can do all three, the odds are that you will build a successful retail flower shop. If you fail on even one count, your business probably will not live up to its profit potential.

## YOUR CHOICE

The monthly issues of *Floral Finance* provide the information, tips and techniques necessary for control of design, staffing and facilities.

However, only you can make the decision to do what it takes to be profitable. In some cases, that decision will require significant changes in the way you do business.

You may have to let some staff members go. You almost certainly will have to force more organization into your design room—a move that your designers may resist. And you probably will have to increase your productivity.

Doing what it takes to become profitable and stay that way isn't easy. But it's the right decision. And it's one you won't regret. No matter how you define success.

**In some cases, the decision to be profitable will require significant changes in the way you do business.**

Are you willing to do what it takes to reach your goals? If so, identify the changes that need to be made, take a deep breath and get busy. ☺

## FAMOUS FINANCIAL WORDS

**"Asking dumb questions is easier than correcting dumb mistakes."—Anonymous**

**"If you have two jobs and you're rich, you have diversified interests. If you have two jobs and you're poor, you're moonlighting."—Anonymous**

**"He who has never made a mistake has never made a discovery."—Anonymous**



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

## TAX RECORDS

*"I just finished filing my 2016 tax return after taking an extension to get my records in order. What a mess! Is there an easier way to get prepared?"*

Certainly.

If you're not a detail person, the last thing you want is an elaborate recordkeeping system that is precise to the penny. However, you can easily set up a procedure that gets you 90% or more toward where you want to be at tax time.

Just get a folder and label it "2018 taxes." Then, whenever you have a receipt or tax-related document, put it in the folder. When it is time to do your taxes, you'll have to sort all the paper, but everything will be right there in one place.

If you think you might lose a folder, get one of those decorative holiday popcorn tins. Put it by your desk and drop your papers in there. The tin certainly won't get lost—and neither will your tax records.

## DONATING A VAN

*"I want to give my older van to a charity. How much can I deduct from my taxes as a charitable contribution?"*

That depends.



If you personally own the vehicle and have not depreciated it for business purposes, you can deduct the fair market value. You'll have to enclose IRS form 8283, which provides the value of the vehicle and must be signed by an appraiser.

Usually an automobile dealer can sign this form and fill in the amount for you. Note that the amount may not be the same as that listed in the popular automobile "blue books." The deductible fair market value is the amount for which the vehicle would actually sell.

If your business owns the van and it has been fully depreciated, you cannot deduct anything more. You've already gotten the deduction in the form of depreciation. If it hasn't been fully depreciated, you can deduct the remaining undepreciated value, as long as that amount does not exceed the van's fair market value. Any difference can usually be written off as a loss on an asset.

## T

This is the approximate percentage of flower shops that have closed their doors since the peak in 1996. In 1996, a bit more than 27,000 flower shops with a payroll were operating in the United States. Today, that number is around 13,000 and still decreasing.

Unless another shop buys the closed shop's name, customer list and phone number, many of the shop's customers will disappear. They won't go to another flower shop; they will use their "gift" dollars on other types of products.

So if you see a shop in your area closing, negotiate to get the business' name, phone number and web address moved to you. You'll add to your sales and keep those customers buying flowers.

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