

## QUICKTAKES

*Ideas You Can Put  
to Work Immediately*

### 1 Praise Often

It's easy to dwell on the negative and forget to praise the positive. Don't make that mistake. Everyone wants and needs praise.

In the book *Children Are Wet Cement*, author Anne Ortlund says you should praise kids 10 times to balance every criticism. Not a bad idea for adults either.

### 2 Hazard Check

Take a few minutes to walk through your shop to check for everyday risks. Fire hazards. Carpets or cords that might trip someone. Broken glass in the parking lot.

Get your staff involved. The more eyes looking out for danger, the better.

This is one area where a little prevention can really pay off.

### 3 Email Addresses

Are you collecting your customers' email addresses? If not, start immediately.

Email is an almost-free way to reach your best customers. And customers who have opted into your email list are more likely to open and read the messages you send.

But nothing will happen until you collect those addresses. Ask as a part of every sales interaction. Have forms on your counter. Build your list ... and build your sales.

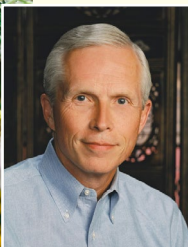


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## BENEFITS OF ANGER?



Dave Jewitt, a good friend of mine, recently made several points about anger that are worth remembering.

We see anger every day. It comes in many forms. From an explosive tirade between co-workers to inappropriate gestures from one driver to another in traffic.

Rarely does anger achieve any worthy goal. In fact, it usually has the opposite effect.

When we get angry we:

- Demonstrate we can't control ourselves.
- Harm relationships and damage teamwork.
- Push away good people.
- Shift people's focus from needed change to the hurtful way we spoke.
- Diminish our leadership potential.
- Build walls with those who can't quickly forget what was said.

Of course, we all lose our temper once in a while. However, when we do, we need to apologize quickly and learn from the experience.

Unchecked anger will destroy relationships—in marriage, with friends and with employees.

Don't settle for uncontrolled anger. Set and follow a higher standard for your conduct.

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# BUSINESS PLANS:



**T**he first part of a good business plan is simply an explanation of who you and your customers are.

It's an interesting exercise. It also should be easy to accomplish.

Below is a fairly comprehensive list of questions that apply to a retail flower business. Go through the list. Take the time to answer the questions honestly and thoroughly. You should end up with a very clear description of your business.

You'll need access to some numbers, but not too many. Most of the information you need is in your head. You just need to think through your answers carefully.

Before you get started, you might want to enlist the help of a trusted employee. Someone who has been with you long enough to know your customers and products. Someone with good insight into what makes your customers tick.

If you're already in business, use two columns on each page—one for where you are today and the other for where you want to be.

If your business is just starting out, all you need is the second column—where you want to be.

When you're ready, grab a cup of coffee, a pencil and a few sheets of paper. Then, answer each question.



### THE BASICS

- When did you start your business?
- How did you get started?  
Did you buy an existing shop or start your own?
- Are you a single owner or do you have partners?

- What is the legal form of the business: partnership, corporation, LLC or sole proprietorship?
- Do you have any financial backing? How much and from whom?
- What experience did you (and your partners) bring to the party?
- What are your current annual sales?



# PART 1

See pages 4, 5 & 6  
for more about developing  
your business plan.

- How have your sales grown in the past year? How about the past two years?
- What level of sales can you realistically expect to achieve in the next year? What about the next five years?



## YOUR MISSION STATEMENT

- Why did you go into the retail flower business? What did you hope to accomplish? Answer as specifically as possible. For example, common answers might be:
  - “To earn a living and maximize profits.”
  - “To run my own schedule so I can spend time with my family.”
  - “To become the area’s best designer.”

Whatever your mission, it will become the foundation of what you do. It will determine how you organize and run the business. Refer back to your mission statement often to see if you are on track and meeting your objectives.



## YOUR CUSTOMERS

- Who are your customers?
- What are their typical ages, income levels and genders?

- Where are they located? In a neighborhood? Or downtown?
- Do you cater to a certain niche, such as commercial accounts?
- Do you focus on certain types of events, such as weddings?
- Who are your top 25 customers by annual volume?
  - What portion of your annual sales do the top 25 account for?
  - Is there any pattern in the customers that make up this list? For example, are most of them corporate customers or wedding/event customers? If a particular group comprises the bulk of your top 25 and the top 25 represents a good portion of your sales, that is a strong signal that you might want to focus on growing that segment of your business.



## YOUR PRODUCTS & SERVICES

- What is the single most important thing you offer?

For example, many florists would say delivery is the one service that sets them apart from other competitors.

  - While there may be more than one reason, pick the one that is at the head of the pack. The answer will reveal why most customers do business with you.
- What are the second and third most important things you offer that attract the greatest number of customers?
- In terms of sales volume, what are your top five products and/or services?

If you answer these questions honestly and completely, you will have a fairly accurate description of the business you have and where you want it to go. Anyone reading your answers should have a solid feel for what you want to accomplish.

The next steps (see pages 4, 5 and 6) involve putting together the specifics that will help you accomplish your goals. 🌹



## COMPETITION

- How many other retail florists compete with you?
- What are their strengths/weaknesses?
- How close are they to your location?
- Do you serve different customers?
- Do you have other competitors besides retail florists?
- How are the non-floral competitors different than you?
- What sets your business apart? What gives you an edge? This may not be about the products and services you offer. For many retail florists, especially in major metropolitan markets, location is their single most important competitive advantage. A convenient location makes them the florist of choice.



## YOUR PHYSICAL SHOP

- Where is your shop located? What part of town? Are you in a strip center or a stand-alone facility?
- What is the traffic pattern on your street? Does your location lend itself to walk-in traffic?
- How big is your facility? Do you need more space? Do you have more room than you really need? Many shops have excessive display space that requires more merchandising and staffing than their level of sales requires.
- Do you have multiple locations? Would you like additional branches, or would you like to consolidate into fewer locations?



# BUSINESS PLANS:

# PART 2

## THE NUMBERS

**M**ost retail florists are creative people. They love flowers. They love the joy flowers can bring to almost any occasion.

The financial aspects of the business are often last on the list of priorities. Numbers just are not as much fun as the rest of the operation.

However, if you want to run a successful business, the numbers are very important. When done properly, financial management won't take much of your time, and the numbers will reveal exactly what you must do to achieve, maintain or grow your profitability.

The converse is also true. When you don't manage the financial side of the business properly, nothing but headaches will ensue.

Follow the steps below, and you'll get through it.

### ANNUAL VS. MONTHLY

For starters, you need know how much business you do on an annual basis. You also need to know how those sales break down month by month.

If you're just starting out, you can use industry averages to get at your expected monthly sales volumes. (See the table at top right.)

If you have been in business for a while, you're lucky. Your monthly income statements from the last 12 months will serve as a blueprint for what you can expect.

All you have to do is adjust the various sales levels to meet your expectations.

### SALES CATEGORIES

Many retail florists' income statements do not break sales down in any meaningful manner. In fact, it's not uncommon to find sales as one big number.

This approach may work for tax reporting purposes, but it is not at all helpful in managing a business. Instead, break your sales into at least the following categories.

### Product Sales

Silk / Dried • Loose Flowers  
Arrangements • Green Plants  
Blooming Plants  
Balloons • Gifts

### Non-Product Sales

Wires-Out Service Charges  
Wires-Out Commissions\*  
(Wires-In Commissions)\*\*  
Rebates • Delivery

\* Wires-out commissions is 20% of your gross wires-out. That's the amount you get to keep.

\*\* Place wires-in orders into the appropriate sales category (like arrangements or blooming plants) at 100%. Then, put the 27% you don't receive as a negative number in the wires-in commissions category.

### Average Amount of Annual Sales Each Month

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

### COGS CATEGORIES

Set up a separate cost of goods sold (COGS) category for each major product sales group. That's the only way to monitor how well you are controlling your COGS, especially on arrangements.

COGS arrangements should include only the cost of flowers and greens. Use a separate COGS supplies category for the containers and supplies.

*Financial management won't take much of your time, and the numbers will reveal exactly what you must do to achieve, maintain or grow your profitability.*

### EXPENSE CATEGORIES

The easiest way to organize your expense categories is to list them alphabetically.

Make sure you group and subtotal all facility expenses (rent, utilities, maintenance/repairs, trash service, etc.). You also should group and total all of your payroll expenses.

### FORECASTING

Finally, for each expense category, estimate what your monthly performance should be if you are to meet your profitability targets.

When you're finished, you'll have a road map of how you will meet your goals. One month at a time. 🍀



# BUSINESS PLANS: PART 3



**O**perating your business includes three major components: shop layout, delivery and staffing. All are important, but the third will have the greatest impact on your profitability.

## SHOP LAYOUT

For maximum efficiency, how should your shop be laid out? If you're opening a new store, you might want to visit several existing shops to get ideas.

If you've been in business for awhile, look over your present layout. Could a few changes improve the way you do business? Do any recent customer comments suggest ways you could provide better service?

If modifications can be made at a reasonable cost, get busy.

## DELIVERY

Delivery often is cited as the most important service retail florists offer. It sets you apart from other floral competitors.

There are many approaches to managing delivery.

The goal is a delivery process that is both efficient and economical.

The most common approach is to buy or lease your own vans, hire delivery personnel and do it yourself. However, that can be very expensive—especially in major metropolitan areas.

Is there a local delivery pool you can join? If not, should you consider starting one?

Some florists use a local courier service to make all their deliveries. Is that an option you should consider?

Whatever your choice, make sure it will

serve your customers well. And set your delivery prices at a level that will make the service profitable.

## STAFFING

How many people will you have on the payroll? Staffing decisions impact your profitability more than any other operational area.

Staffing is a challenge because holidays cause monthly sales to swing up and down. February, April, May and December sales go through the roof. Other months—July, for example—have much lower sales.

How can you profitably staff for those kinds of swings?

It's not as hard as you might think.

Holiday volume creates problems for only 30 to 45 days per year. The rest of the time, the average retail florist experiences fairly level sales volumes.

For example, the entire month of February is not exceptionally busy. Only 5 to 7 days are swamped with Valentine's orders. The same is true for Mother's Day in May. Christmas takes a good portion of December, but not all 31 days.

Here's the rule to remember:

**If you want to be profitable, base your everyday staffing level on non-holiday sales volumes; then, add personnel for the busy days.**

It's not easy to find extra help for the busy days, but it can be done. And it must be done if you are to maximize your shop's bottom line.

Hiring part-time employees is the key. They usually can add hours when you need them.

## DAILY SWINGS

Just as holiday and non-holiday volumes vary, sales also vary by day of the week. What's more, the pattern is fairly predictable.

Take a four-week period during a non-holiday stretch—perhaps in March or September—to analyze your shop's sales patterns.

Add up all the Monday volumes of arranged product sales. Divide by four and you'll have the average amount of arrangements you sell on a typical Monday. Do the same for every day of the week to get your shop's unique daily profile.

**Staffing decisions impact your profitability more than any other operational area.**

Next, determine how much daily production you can expect out of a single designer. The average is \$1,000 to \$1,200 a day (or \$125 to \$150 per hour).

Dividing your daily arrangement sales by \$125 or \$150 gives the number of design hours you must cover each day.

By carefully staffing for daily needs, the average retail florist can cut one to two full-time salaries per year. Not a small amount of money.

You can perform the same kind of analysis on your delivery function to determine how many hours of non-holiday delivery time you need.

## OTHER OPERATIONAL DECISIONS

There are many other operational decisions to make. Although none will affect your profitability as much as the big three, they all are important.

So, monitor each expense area, especially those that repeat month after month.

Every dollar you save on expenses flows right to the bottom line. 🍀

## MARKETING

**S**o far, you've defined your business, established a budget and determined how you will run your operation. The last major hurdle is building the sales required to meet your goals.

### INCREASING THE TOP LINE

If you add more sales volume, price your products properly and process those orders efficiently, you should be in good shape.

The big challenge is getting the added volume. There are only three ways to increase your top line.

#### 1. More Customers

This is the option that gets the most attention. You know how much your average customer spends. Adding new customers will increase total sales accordingly.

#### 2. Greater Average Order Size

Instead of adding new customers, you work to get more per sale.

**Example:** You could realize a 10% revenue increase by adding 10% more customers. Or, you could get your present customers to spend 10% more.

Either way works. But it often is easier to increase the average order size than to add new customers.

#### 3. More Frequent Purchases From Present Customers

If your average customer buys twice per year, you could get that same 10% increase if one of every five customers made just one more purchase each year.

Determine which of these approaches (or some combination of two or three)

best fits your situation. Then, pursue that approach vigorously.

### YOUR MESSAGE

In the first part of your business plan, you described your typical customer. Given that customer profile, what message do you want to convey in your marketing?

Will your message be strong on product and design? Or will you focus on service? Whichever you choose, be sure to emphasize the benefits.

**IF YOU WANT TO BE AGGRESSIVE, YOU WILL NEED TO INCREASE YOUR MARKETING BUDGET TO AT LEAST 5% OF SALES.**

**Example:** Why buy your quality red roses? Because quality roses signify the depth of your love.

Remember, it takes several exposures before the average customer will remember your message. You need to keep it simple. And, even though occasions may change during the year, your basic message must still come through.

Think of your message as the frame surrounding the picture of your offering. For example, suppose your primary message is "The freshest flowers in town."

You'll want to repeat that theme in every ad. "The freshest Valentine's flowers come from ..."

### YOUR BUDGET

How much do you plan to spend on marketing? The typical retail florist's budget is 3% to 4% of sales. Much less

than most other retailers. If you want to be aggressive, you will need to increase your marketing budget to at least 5% of sales.

If you're a new florist with no sales history, you will have to determine what it will take to get the business off the ground.

Whatever your budget, divide up the money throughout the year based on what you will be promoting each month.

### THE APPROACH

What promotional channels will you use? The choices range from a sign in your window to an open house to a full-blown media plan including television ads.

The bigger the reach, the higher the cost.

Today, the internet is the most important media for many shops. Social media and email marketing lets you reach your specific audience with multiple exposures for relatively few dollars spent.

Most shops also rely heavily on neighborhood marketing, such as open houses and other special events.

### THE MATERIALS

Don't forget that your marketing budget must include the cost of the materials for promotions and events.

If you use direct mail, for example, you will have to print the flyers. You also might have to buy a mailing list and use a mailing service.

If you are doing radio, TV or newspaper ads, the ads will need to be professionally produced. Often, the money spent on production of an ad is as great as the money spent on the media to place it.

### THE RESULTS

The key to forming a successful marketing plan is to track the results of every promotion that you do. Determine what works for you and what doesn't. Over time, you will hone in on the methods that produce the best results for your shop for the money. 🌸

# ACCOUNTING FOR REPLACEMENTS

**M**ost retail florists agree: Offering a 100% satisfaction guarantee is the way to go. Very few customers, if any, will abuse the policy. And when there is a concern with an order, you will learn about it quickly—so you can correct the source of the problem quickly.

But what about the accounting side? When you give out a replacement, how do you account for it?

## MANY FLORISTS DON'T

When a customer complains, many florists simply take a replacement arrangement out of the cooler or make one up and give it to the customer. Nothing is rung up. No accounting entries are made. There's no record of the replacement.

Does it matter if you don't do the accounting properly? Maybe.

The issue is cost of goods sold (COGS). In a normal sale, the product cost will end up in COGS. If no sale is rung up, your arrangement COGS will appear higher than it actually is.

## PRECISION PROFITABILITY

To be profitable, a retail florist must control three major items: payroll, COGS and facilities expense.

A financially astute florist will base the arrangement COGS target on the pricing formula. When the financial statement arrives, that florist will check to make sure the target is met.

If arrangement COGS is too high, something is amiss. Most likely, designers are putting too much product into the arrangements.

However, when replacement arrangements are not rung up properly, the figures can be misleading. The

design crew might be doing everything exactly according to policy, but arrangement COGS will still be too high.

## WHAT'S A GOOD GAUGE?

If you very rarely send out free replacements, the effect on arrangement COGS will be negligible. If you send out quite a few replacements, it could be a problem. As a rule of thumb, if you are replacing one in 100 arrangements, you don't have a problem. Don't worry about it.

If you are replacing more than three arrangements in 100, your financial statements will be affected, and you probably should do something about it.

## AN INDICATOR

Of course, if you are sending out enough replacement arrangements to significantly affect your arrangement COGS, you have more than an accounting problem.

Somewhere along the line, orders are not getting filled properly. Or your flower quality is poor. To get a feel for why customers aren't satisfied, track why replacements are given.

Are you receiving inferior product from your supplier? Do your care- and handling-procedures need review? Do you have a salesperson improperly recording

what the customer wanted? Is a designer making inappropriate substitutions?

Getting to the root of the problem is key to reducing dissatisfaction in the future.

## THE PROPER WAY

If you're the tidy type and want to record your replacement arrangements regardless of the quantity, ring them up as non-taxable sales.

The final step is easy if your point-of-sale (POS) system handles replacements. Just ring up the transaction as a replacement, and the accounting will be done correctly.

If your POS system is not set up to handle replacements, you'll have two steps.

First, record the replacement as a non-taxable sale and charge it to a house account called "replacements." Then at the end of the month, write off the balance in that house account and charge it to "returns and allowances."

Everything will be correct. Arrangement COGS will accurately reflect COGS for all arrangement sales and replacements. Total sales also will be correct because of the returns and allowances entry.

If all the accounting is too much trouble and you don't have many replacements anyway, at least keep a log of your replacements. You need to know how many replacements you are giving—and why the customers are dissatisfied.

A good log will help you fix anything that might be wrong. 🌱



## FAMOUS FINANCIAL WORDS

"A deficit is what you have when you haven't got as much as you had when you had nothing."—Gerald Lieberman

"I got what no millionaire's got, I got no money."  
—Gerald Lieberman



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## NORMS

NON-FLORAL DECEMBER BUSINESS



**T**his is the average percentage of annual business non-floral retailers do in the month of December.

Jewelry stores see a quarter of their annual business in the month of December. Other retailers do more than 20% in December—home entertainment and electronics, family apparel, home furniture and furnishings, and women's accessories and specialties.

Retail florists are lucky. You do only 13% to 15% of your annual business in December. A much easier load to handle.

Many other retailers literally live and die by Christmas. Your sales throughout the year are much more consistent. You are less dependent on December sales.

# INQUIRIES & ANSWERS LETTERS

## DESIGNER PRODUCTIVITY

*"What information should I be keeping to help my designers boost their productivity?"*

### Just the basics.

Track the total number of arrangements designed, the total dollar amount of those arrangements and the total hours spent designing.

That trio will show you how much each designer is producing per hour worked, the average price of the arrangements and the average time per design. You will see who is taking what type of work and how they are performing.

You can go a level up in your analysis by tracking all designs by price point. That will help you decide what you need to promote.

Only by keeping this information can you ensure each designer's pay reflects the contribution they are making. Designers who consistently produce more should earn a higher wage.

## EXTRA URLS

*"A friend told me I should get the rights to other URLs besides the one I use for my shop. Is that right?"*

### Yes.

A URL is a uniform resource locator. It is your internet address. For example, [www.myshop.com](http://www.myshop.com) is a URL.

You can have as many URLs as you are willing to create, pay for and use.

Let's say you live in Cherokee, New York, and your shop name is Daisy Florist. You might make [www.daisyflorist.com](http://www.daisyflorist.com) your primary URL. However, don't stop there. People who want to order flowers in Cherokee won't know there is a Daisy Florist. In searching for a florist, they might take educated guesses like [www.cherokeeflorist.com](http://www.cherokeeflorist.com), [www.cherokeenflorist.com](http://www.cherokeenflorist.com) or [www.cherokeeflowers.com](http://www.cherokeeflowers.com).

Get the idea? If you reserved those URLs too, you might better capture business.

Think of URLs that you would like. If they are not already taken, register them. Then, have your internet service provider add them to your account and point anyone who enters them to your shop website.

Extra URLs can be business in your pocket.

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