



## QuickTakes

### Mother's Day Could Surprise!

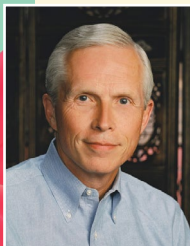
If you are still serving customers and plan to use the last few weeks' sales to estimate Mother's Day business, you are probably going to underestimate. With many people sheltering at home, there is a greater need than ever for them to reach out and connect with loved ones and friends. Here are a few tips.

- 1** Contact every customer who placed an order with you last year and take early orders.
- 2** Use the response rate to gain a better projection of your Mother's Day volume.
- 3** Use your social media and website to share a message like "Now, more than ever, flowers can convey your love, care and concern for your mother and others." Or "Flowers brighten everyone's day."
- 4** Send out extra email blasts with the message that you can deliver just the right message for Mother's Day.
- 5** Talk to your wholesaler about product availability for Mother's Day and how to ensure access and maintain order flexibility.

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## VALUES IN CRITICAL TIMES



Now more than ever, we need to order our lives according to our core values. Illness, death and financial uncertainty can be paralyzing. This is when it is critical to look beyond

the immediate to what are really the most important values in your life.

May I suggest that value is the dignity of every person. Behind each number presented—whether it's the number who are sick or the number who have claimed unemployment—these are individual lives. People we know and love. People who need our support and care.

When the numbers are overwhelming, simply look at your feet. "Where am I right now?" "What can I do today—in this moment—that will help someone?"

Help may mean a financial gift. Buying groceries for a newly unemployed person or family.

It may be medical help if you are on the front lines. Or delivering medicine or supplies.

And help most certainly means encouraging others. Technology was made for this. Check in on friends and neighbors. Use your social media to lift someone's day with something that will make them smile.

We all have limited resources to share. Except maybe in the personal encouragement category. Try to focus on what's happening that is good.

And, finally, we can all pray and think of one another. Everyone always needs that.

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# Best Practice

**T**he coronavirus pandemic has changed the lives of every florist. In just a few days, the world turned upside down.

Some shops are closed. Many are operating with reduced staff. Most have transitioned into a delivery and pick-up business with no in-shop sales.

In the U.S., one federal relief package will provide payments to laid-off wage earners. Two Small Business Association (SBA) loan programs (disaster relief and paycheck protection) seek to protect small businesses. It's likely other plans will be developed.

No one knows how long the crisis will last. However, while you are waiting, you can take important actions to protect your finances both now and in the future.

## BEST FINANCIAL PRACTICES

### Preserve Cash

Get serious about financial controls—steps you have begun, steps you need to revisit and steps you have not yet tried.

1

**Don't make any capital expenditures, and defer all unnecessary maintenance.** Cancel any

planned facilities or equipment improvements that are not absolutely necessary.

**A non-holiday staffing analysis will give you a better basis for your staffing decisions.**

2

**Revise all product purchases to match your current level of sales.** Some standing

orders may need to be canceled or modified. Perishable product that is purchased and not sold is like burning cash.

3

**Match your staff levels to sales.** Your staff payroll (without the owner/manager) should be targeted at 20% of sales. That includes payroll taxes and benefits.

Again, most florists already have reduced staff; however, if sales fall further, additional cuts may be necessary.

### Act Like a Miser

Brainstorm creative ways you can conserve cash. The impact of this crisis may be around for some time.

4

**Review your regular expenses.** Pull out your

shop's income statement and your checkbook. See what you've been paying out. Which items are essential? Which could be delayed or eliminated? Setting up a simple budget will be a big help. You can use a spreadsheet program to assist with the math. Once you have listed all the necessary items, you will have a good picture of your cash needs.

5

**Call your landlord.** Land-

lords are more than aware of the trials facing tenants. The last thing they want to do is lose a good tenant. See if any accommodations can be made until things are back to a semblance of normalcy. You might get a month or two with no rent. That would help enormously with cash flow.

6

**Contact other creditors.**

It's worth contacting other creditors to whom you are making monthly payments. See if they would accept delayed or lowered payments. It may be embarrassing to ask, but you'll never know the answer if you don't.



# es in a Crisis



## 10 Things to Do First

### BEST OPERATIONAL PRACTICES

## Take Control

Now may be the time to implement operational changes you've overlooked in the past.

7

**Implement design room controls.** If you are going to make a profit, you have to charge for every product that goes out of your shop. In other words, no stuffing.

A few extra flowers in every arrangement will destroy your profitability. Designers must write down on the back of the ticket every item in the arrangement and make sure it is reflected in the final price. No exceptions.

8

**Charge for supplies.** Although easily overlooked, supplies are expensive. However, counting individual supplies in each arrangement would be too complicated and take too much time.

The solution? On average, supplies cost about 3% of the retail price of an arrangement. So, double that and allocate 6% of the retail price to the charge for supplies.

9

**Planning for a lean staff.** Although we already mentioned that you need to staff for your level of sales, you can best accomplish that with a non-holiday design staffing analysis.

Right now, you are cutting staff to fit your sales on a day-to-day basis. A non-holiday staffing analysis will give you a better basis for your staffing decisions.

The non-holiday staffing analysis looks at four weeks of non-holiday sales by day of the week. Using your POS (point-of-sale) system, print a product sales summary for each day. Add up perishable flowers and greens sales for the four Mondays and divide by four to get your average Monday. (Don't include sales for weddings or events.)

Do this for each day of the week, and you will have the average dollars of design needed each day.

Then, staff accordingly. You may find that you have a significant difference in volume from day to day.

Do a similar analysis on your delivery operation to see approximately how many deliveries you make each day of the week.

10

**Continue to market aggressively.** When times get tough, marketing dollars are often the first to get cut.

That's the wrong approach.

Now, more than ever, you need to get your message out there.

Just make sure you use your marketing dollars wisely. Do as much as possible with your social media and website. Stress the importance of sending flowers and your ability to perform touchless delivery.

## Business & Personal

So far, we have talked about the business. But you also should contact your personal creditors to see if you can get better terms.

When you receive a check from the government, try to sock some of it away to meet unexpected expenses. "Frugal" has to be the word of the day at the shop and at home.

One other item: You might be tempted to use that government money to pay down a debt. Ordinarily, that would be a good idea. However, in today's environment, it's best to set extra cash aside in a savings account.

Keep as much cash on hand as you can. Make minimum payments on debts for a while. Once the dust settles, you can use any excess cash to pay down your debts.

## This Will Pass

Remember: this won't last forever.

So, take a deep breath. Plan as best you can. Work hard. Eat well. Get your sleep. Exercise.

Brighter days are ahead. 🌸

During this crisis, when everything is unpredictable and business for most flower shops is slower than normal, it is a good time to review a few basics about running a profitable operation. Although business may be grim now, it will recover. And when it does, you'll want to be ready. The following three articles focus on information that leads to profitability and growth.

# Profit

## Acquiring & Maintaining Financial Control

### All the Pieces Are Important



**A** voice came over the speaker. The pilot announced we had reached a cruising altitude of 35,000 feet. The fuel tanks were full. Supplies were plentiful. But the radar was not functioning. We were lost.

On a different flight, another voice sounded over the speaker. That pilot announced the flight was at altitude, at the proper cruising speed and on course. There was only one problem: no fuel.

For a successful flight—just as for a successful business—all elements are important. All must be controlled.

### Financial Statements

There are two financial statement rules:

- They must be accurate for planning and control.
- They must be timely.

#### ACCURACY

Since speed and accuracy are both important, we must implement a fairly easy system of accounting that provides an acceptable level of accuracy.

The first decision you must make is whether you will base your statements on the cash method of accounting or the accrual method.

The cash (or checkbook) method is easier. It also is less accurate for planning and control. A pure accrual method is much more accurate but can be tedious and can delay your statements.

*Floral Finance* recommends a modified accrual method. (See page 5.)

#### TIMELINESS

The next big decision is how quickly you will produce your financial statements.

Ideally, financial statements should be available within two to three weeks after the end of each month. Under no circumstances should you receive monthly statements later than the last day of the following month.

Whether an accounting service produces your monthly financial statements or you do them in-house, the speed with which you receive the data is crucial.

You need seven things each month to complete your statements:

- ✓ Sales and deposit detail and summary
- ✓ Ending bank statement
- ✓ Payroll reports
- ✓ Check register
- ✓ Wire service statements
- ✓ A payables listing
- ✓ Miscellaneous journal entries, like depreciation or note payments.

Most florists use a POS (point-of-sale) system like Dove. If so, the system will generate your sales numbers automatically.

Similarly, an accounting package like QuickBooks will have your check register, your payables information and possibly your payroll data.

You will have to wait a few days for the bank and wire service statements.

To stay on track, schedule time for the data-gathering in advance. Pencil in an hour or two on the first or second business day of each month. Just

like any other important appointment, make this task a priority.

Getting your financial statements too late is like having someone tell you the toast is burning after it has ignited into flames.

#### TWO FINANCIAL STATEMENTS

Once you've solved the problems of accuracy and timeliness, what financial statements will you need?

The **balance sheet** is probably the least understood. Simply put, the balance sheet is a financial picture of your company at a given point in time.

It shows in detail, for that particular moment in time, exactly how much your company **owns** or has coming (its assets) and how much it **owes** (its liabilities and capital).

A sophisticated analysis is more focused on the balance sheet than the profit and loss statement. It reveals your true financial health.

The **profit and loss statement** (also called the P&L or income statement) shows your sales and expenses for a period of time. It usually breaks those expenses down so you can detect where problems might exist.

If expenses are less than sales, the profit and loss statement will tell you how much profit you made. Conversely, if expenses are higher than sales, it will show how much you lost.

Although the goal is to make a profit for the year, it is quite common to have losses during slower months.

There you have it. The basics on financial statements. 🌸



# ability & Growth

## Financials for Planning & Control

### The Modified Accrual Method



**Y**ou have a decision to make: Will your financial statements be done on a cash basis? Or an accrual basis?

With cash basis accounting, your accountant simply records the cash coming into and going out of the shop. That's it. All it really requires is your check register.

Although easy, the cash basis is far from accurate. For example, a house account sale is not counted until the customer pays her bill.

Conversely, all purchases are booked in the month you pay your bill—not when the items are used. Many Christmas supplies and products will appear as expenses months before you use them to make holiday sales.

Cash basis accounting works fine for tax purposes; however, it is an awful system for planning and control.

Accrual accounting attempts to put revenue and expenses into the correct month—not when cash is exchanged.

Christmas product and supply purchases, for example, first go into an inventory account. Based upon when you make sales, those amounts are moved over into cost of goods sold (COGS).

#### MORE THAN NUMBERS

Accounting is an art as much as it is a science.

An accountant's task is to record various transactions in the life of a business and present them in a form that is understandable and helpful.

The art of accounting is deciding how to create and present those records. The accountant "designs" statements that are accurate, meaningful and helpful.

If a transaction isn't handled correctly, the owner doesn't receive the right picture.

#### SNAKE OR ELEPHANT?

A blindfolded man's hand was placed on the trunk of an elephant. He jumped back, fearful he had touched a snake.

Because the man did not have all the facts, a serious misunderstanding resulted.

To avoid financial misunderstandings and misinterpretations, your company's transactions must be recorded carefully and at the correct time.

Example: A florist bought a vase for \$20. The next month he sold it on a house charge for \$40. In the third month, the customer paid her bill.

If this were the whole story, what would the profit and loss statements look like for the three months?

With the cash method of accounting, the florist would have lost \$20 in Month 1, made nothing the second month and had a \$40 profit in Month 3. The total for the three-month period: a profit of \$20. (See the Cash Accounting example in the table.)

*(continued on page 6)*

### Cash vs. Accrual Accounting Example

Container purchased in Month 1 for \$20

Sale made in Month 2 for \$40

Sale paid for in Month 3

#### Cash Accounting

	Month 1	Month 2	Month 3	3-Month Total
<b>Sales</b>	\$ 0	\$ 0	\$40	\$40
<b>COGS</b>	(\$20)	(\$ 0)	(\$ 0)	(\$20)
<b>Profit</b>	(\$20)	\$ 0	\$40	\$20

#### Accrual Accounting

	Month 1	Month 2	Month 3	3-Month Total
<b>Sales</b>	\$0	\$40	\$ 0	\$40
<b>COGS</b>	(\$ 0)	(\$20)	(\$ 0)	(\$20)
<b>Profit</b>	\$ 0	\$20	\$ 0	\$20

(continued from page 5)

If the customer had paid for the vase on the spot, the cash method would have given a \$40 profit in the second month and no activity at all in Month 3.

## MATCHING SALES WITH EXPENSES

The accrual method tries to correct these timing problems by allocating sales and expenses to their correct time frame. Regardless of when the money actually changes hands.

See the Accrual Accounting method in the table on page 5. It correctly indicates that no money was made or lost in Month 1. In the second month, the shop made \$20. In Month 3, no money was made or lost.

The accrual method correctly matches the cost of the sale with the sale. Notice that the income for the three-month period is the same under both methods—\$20. In that sense, both are “accurate.” The cash method, however, is not as helpful for the owner’s planning and financial control.

## INSURING ACCESS

Insurance is another example that shows the benefit of the accrual method.

If you pay an annual liability insurance premium of \$1,200 in August, charging that full expense to August would incorrectly reflect August’s expenses.

Since the insurance is for the entire year, the accrual method allocates \$100 of the premium to each month.

Each month’s profit and loss statement will now reflect its proper share of the insurance expense.

## THE PROBLEM

The accrual method sounds great!

But wait ... nothing is perfect. The accrual method has one problem.

The more accurate you want your statements for planning and control purposes, the more complex the procedures for keeping them.

A strict accrual method can be quite complex. It almost always creates timeliness problems.

Why?

If you want your phone expense for August to be absolutely correct, you have to wait for your August phone bill to arrive. Same with utility bills and gasoline bills.

Even worse, your telephone bill might cover a period that starts and ends on the 10<sup>th</sup> of the month. To be completely accurate, you would need to take 10 days’ activity from one month’s bill and 20 or 21 days from the next month’s bill.

This all takes time and requires a lot of work.

As an alternative, your accountant could make educated guesses each month. Then adjust for the actual expenses the following month with journal entries.

But that’s way too much fuss. And until the accountant’s adjustments are made, you would have less-than-accurate information.

The solution? Modify the system.

## MODIFIED ACCRUAL METHOD

A modified accrual system defers and accrues larger important expenses but doesn’t bother with smaller items. It expenses them as they occur.

Four important items should be accrued.

First, accrue sales. Count them when they are made, not when they are paid. To do this, you’ll need an accounts receivable account on the balance sheet.

Second, expense all perishable products directly into COGS. Do not inventory them.

Third, you may want to put all non-perishable product purchases into inventory. Move them into COGS as sales are made of those products.

## CAUTION



We say you “may” want to put non-perishable product purchases into inventory because many florists, especially small ones, do not want to go to the trouble of setting up and handling inventory accounts. Instead, they expense all the items and just accept that some months are overstated for supplies, containers or gift items.

They know that the year-to-date statements will more accurately reflect the effect of purchases on profitability as the year progresses.

Fourth, accrue large items like annual insurance payments or property taxes. Spread them equally over the 12 months.

## FINALLY

Don’t be discouraged. We’re not trying to create financial wizards. We just want to increase your financial awareness. Your financial knowledge.

Share these ideas with your accountant. He or she will know exactly how to apply them. 🌸



# ability & Growth

## 'Know Thyself'

### *And Use That Knowledge for Profit*



**Y**ou may recognize the famous statement above from Plato. He was speaking from a personal perspective. In order to fully understand, appreciate and enjoy life, it is important to know yourself.

Self-knowledge is just as important for a business.

To succeed in any business, you have to identify why your customer is buying from you.

What are your strengths? What are your weaknesses?

#### NOT JUST FLOWERS

It is easy to assume that because you are a retail florist, your business is all about flowers. The flowers are important, but they are not necessarily the reason people buy from you.

The differentiator could be your location. Maybe your flower quality is no better than other outlets. But you're there with the goods at the right time and the right place. You're more convenient than the competition.

And what about delivery? How many of your customers call you because of

this service? If your customers wanted or had to deliver the flowers themselves, would they still buy from you?

Many florists have come to the conclusion that delivery is their single most important service.

#### ASK YOUR CUSTOMERS

They are the ones who really know why they are buying from you. To try to uncover what they value, you could send out a survey; however, most surveys garner few responses.

A better approach? For two weeks, make the "survey" a part of every sales conversation. After each order, tell the customer you are taking a survey.

Ask them to tell you the biggest reason they purchased from you. Write down the answer

You might push a little further if the customer is open to a longer conversation. For example, if she says she bought from you because she likes your designs, ask, "Why do you prefer ours over another florist?"

Or ask what you offer that the customer can't get anywhere else.

After two weeks, compile and review the answers. You will have fresh insight on how you are attracting your customers.

#### ASK YOUR EMPLOYEES

Don't stop with customers.

Include your employees in the effort. They are a wealth of knowledge about your business and customer base.

Explain what you are trying to accomplish. Get them involved. They'll not only be thinking about the questions during the day, they also will do a better job of talking to your customers.

#### LOOK AT YOUR COMPETITION

Once you have a pretty good idea of why your customers are buying from you, analyze your competition.

What are their strengths? What are their weaknesses? Try to define what advantage each one has over you. That's what you are competing against.

#### ACT

Once you have identified the advantages you—and your competitors—have, reflect for a few moments. Then, try to summarize in one paragraph what you offer that uniquely fills your customers' needs.

Next, write a headline or two for a message that emphasizes your top strengths. Your social media and promotions will be far more successful if you sell to the primary reasons your customers are buying from you.

Don't forget to share with your employees what you have discovered and decided. They need to be on board.

Knowing what is most important will keep you focused. You'll do a better job of serving your present customers and a better job of attracting new ones. 🌸



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# INQUIRIES & ANSWERS Letters



## FEDERAL LOAN PROCEEDS

*"I have applied for the Payroll Protection Program. What should I do with the money when it arrives?"*

### Spend it on the right things.

A key feature of the Payroll Protection Program loan is that it is partially or entirely forgivable. If you spend the money for the right things, you won't have to repay the loan.

At least 75% of the loan must go toward payroll if you want it forgiven. The balance can go to rent and utilities. You have eight weeks to spend it. Plan accordingly.

Since you applied for this loan through your local bank, you will have to apply to your local bank for loan forgiveness. So, it would be good idea to review with your banker exactly how you plan to spend the money.

## THE BEST ADVERTISING

*"What is the most cost-effective form of advertising to preserve cash?"*

### Your website, social media and email.

Arguably, in normal times, 80% to 90% of your advertising budget should go to your website—developing it and keeping it up to date. In times like this—when every shop is experiencing lower sales and is pressed for cash—using your dollars to keep the website front and center is the most important form of advertising to use.

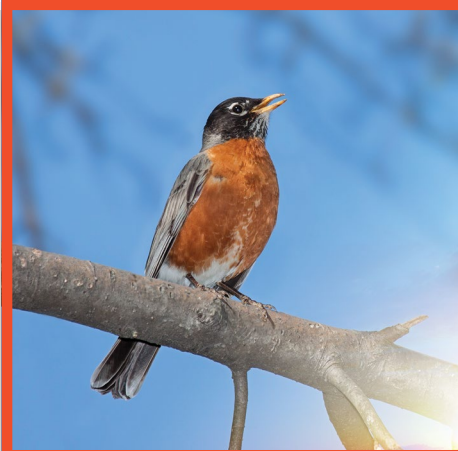


Skinny your selections down and make sure to promote your "touchless delivery." Pick up the frequency of emails. Don't focus on the pandemic. Focus on the benefits of your products to communicate messages to recipients.

Your website, social media and email can be your focus. These are inexpensive and reach those most likely to buy from you: your current customers.

## NORMS

NOTHING



There's nothing normal about the situation facing florists today. The world is almost literally upside down. Most shops are closed to walk-in traffic. Sales are down. Employees have been laid off.

Now is the time to be as frugal as possible. Don't spend on anything that is not absolutely necessary (except maybe an occasional Starbucks). Review all expenses.

On the other hand, keep your chin up. Smile and encourage others. The sun is still shining, and the robins are singing in the morning.

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