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## QuickTakes

*Ideas You Can Put  
to Work Immediately*

### 1 Hire & Keep the Best

Even in this tough hiring market, make sure you hire for culture. Find people who show the desire and aptitude to learn and contribute.

Offer your new-hires nurturing to help them grow.

Don't settle for mediocrity. Eliminate employees who drag down your team. Bad attitudes are contagious.

"It isn't the people you fire who will make your life miserable; it's the people you don't fire."—  
*Harvey MacKay*

### 2 Don't Build Regrets

You have a goal, and you know you can do it the right way or the quick way.

Whether you are pursuing a commercial account, letting an employee go or something else, do it right.

Life is too short to take actions you will regret later. Remember: *Any success without peace of mind is still failure.*

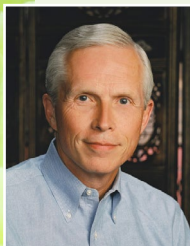
### 3 Make Work Fun

Some people can't wait for the weekend to arrive. Work is a grind. Others wake up each morning looking forward to the work they get to accomplish.

Who do you suppose is more productive? More happy? More fulfilled?

Make your shop a fun place to work. Music. Contests. Rewards. Anything that will stir your staff's enthusiasm and anticipation.

## THE ETHICS OF PAYABLES



Wouldn't it be wonderful if all your house accounts paid their bills on time?

Not all do, of course. Some insist on treating you like a bank. They'll string out their pay-

ments for 45, 60 or 90 days. Maybe even more. The result is frustration and financial problems for the retail florist.

But some retailers who complain about late accounts don't treat their wholesalers and suppliers much differently. If cash is short, it's easy to hold an invoice for a few extra days. You know the vendor won't cut you off.

Don't adopt this kind of double standard in your business. Pay all your invoices when they are due. You agreed to the terms when you accepted the goods. It's your ethical duty to pay on time.

This doesn't require that you pay every invoice the day it arrives. The vendor sets the terms for the purchase—whether net 10, net 30 or 2% 10/net 30. Within those parameters, you can decide the best time to pay.

If an early payment discount is attractive and your cash position is strong, you may decide to pay the balance early. If the discount isn't great or you are short of cash, you may prefer to wait until the last day. It's up to you.

However, when the due date rolls around, prudent cash management gives way to ethical responsibility.

The question on the due date isn't "what is convenient?" It's "what is right?"

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On the cover: Teleflora's  
Colorful Tribute Bouquet

# Making Money in the Slow Months



A \$300,000 shop is profitable in holiday months. And it breaks even (at best) in slower, non-holiday months.

A few years later, the same shop is grossing \$450,000. It still makes money in holiday months and barely breaks even in non-holiday months.

Ironically, the shop's July and August sales now match what it used to generate during December and February. Back then, those sales produced a nice monthly profit. Now, the same volume only allows break-even performance.

Why?

The simple answer is that the shop's costs have risen with sales. More labor. Higher overhead.

### VARIABLE & FIXED COSTS

A flower shop has two types of costs.

**Variable costs** rise and fall with sales. Fresh product, supplies, containers and design labor are good examples.

**Fixed costs**, however, stay roughly the same for a wide range of sales. Rent is the best example. Others are utilities, lease payments, certain phone expenses, insurance and the owner/manager's salary.

A shop reaches breakeven when its sales just cover its variable and fixed expenses.

Only when a business grows substantially do fixed expenses rise. Our \$450,000 shop, for example, might require a larger facility, more phone or internet lines or more vehicles.

As fixed expenses increase, the break-even point automatically rises. That partially explains why larger shops may not make money in the slowest months.

### HOLIDAY PRODUCTIVITY

Holiday sales are the most profitable sales.

Team or assembly-line design techniques push labor costs down. Cost of goods sold (COGS) control is usually tighter.

Holiday production techniques make sense because the increased sales are concentrated in a short period of time. One day. A few days. A week or two at the most. No holiday month has increased volume for 30 days straight.





## Can It Be Done?

The same may be true for physical facilities. The shop keeps more floor space during slower seasons than its volume requires.

These patterns make non-holiday profits hard to come by.

### A PERFECT WORLD

Suppose that instead of a year filled with sales peaks and valleys, your volume was level all year long. No rushes. No slowdowns. Just the same sales levels day in and day out.

“Fairyland!” you say?

Maybe.

But just suppose ...

If you didn’t have to worry about holidays, what would you do differently?

You would organize your facilities, your personnel and your operation for profits every month.

You would lease a facility no bigger than your needs. You would hire the right number of workers. You would construct a profitable plan for deliveries.

In short, you’d size your operation to your sales volume. You would figure out how to make money.

### BELIEVE IT OR NOT

But remember: Most of a retail florist’s year does fit into the “perfect world” pattern. For 10½ to 11

months, your volume is fairly level and predictable. So, why not change the way you think?

Suppose you ignored the holidays. And instead based the size of your facility, staff and overhead on your regular, non-holiday sales.

When holidays came along, you would fill as many extra orders as you could and not worry about the rest.

Would it—could it—work?

Theoretically, it could. But not without problems. You would have some unhappy holiday customers. That might lead to lower sales at other times during the year.

The challenge is to find a way to make money in the slow months and still serve your customers during busy seasons.

### PRACTICAL THINKING

If you sized your facility for non-holiday sales volumes, how could you handle each year’s 29 to 43 peak days?

You would find the space you needed somehow. An empty warehouse. A vacant storefront. Some kitchen tables or a garage.

Getting orders from the shop to a design facility wouldn’t be difficult. You could send orders via email or text or a messaging program, such as Slack, or even use a fax machine to send hard copies.

**As fixed expenses increase, the break-even point automatically rises.**

A primary location sized for non-holiday sales doesn’t have to limit the volume you can handle during busier times.

### TOUGH DECISIONS

Once you create a plan for managing holiday sales, you can tackle the real battle: How to make money in non-holiday times. It can be done, but only with overhead and labor sized for a smaller sales volume.

Cutting labor costs and controlling COGS are relatively easy tasks. (Note: Be sure to communicate the part-time/temporary labor terms in advance of hiring.)

Reining in facilities costs is more difficult. If you are under a long-term lease, you may be stuck with more space than you need for a while. If you have a strong walk-in business, changing locations also could cost you sales.

However, even if you can’t attack facility costs immediately, you can boost non-holiday profits by downsizing labor, COGS and other expenses.

Don’t resign yourself to four profitable months and eight months of losses. Work to make a profit year-round. 🌸

## Holiday Days

How many days in a year actually bring holiday sales levels? Fewer than you might think.

Valentine’s Day	3 – 5 days
Prof Admin Week	2 – 3 days
Mother’s Day	7 – 10 days
Christmas	17 – 25 days
<b>Total</b>	<b>29 – 43 days</b>

So, it’s not accurate to say that florists have four busy months a year. You have the equivalent of 1–1½ busy months and 10½–11 months of much slower, non-holiday sales.

Understanding this simple truth is the key to year-round profitability.

### CARRYING HOLIDAY OVERHEAD

Most shops carry excess overhead for most of the year. Full-time designers who were needed during a holiday remain on the payroll long after sales fall. As a result, the pace around the shop slows. And productivity declines.

# Your Business Plan

## The How & the Why



**W**hat will 2023 hold for your shop? No one can know for sure, of course. You undoubtedly will face surprises along the way. But you have enough information right now to forecast much of what lies ahead.

Wouldn't it be helpful to know how your cash will hold out next year? Or what marketing strategies you ought to pursue?

It's all possible. If you are willing to spend a little time on an informal business plan.

And what better time to create your 2023 plan than during the slower months of summertime?



### JUMPING THE HURDLES

Maybe one in 50 shops has a written business plan. Maybe not even that many.

There are three basic reasons florists shy away from business plans:

1. **Lack of time**
2. **Lack of expertise**
3. **The press of other, more urgent business**

The first two concerns are easy to answer.

Drafting a business plan really doesn't require a major investment of time. The whole process shouldn't take more than a few hours. And you can do it at your convenience. Just don't wait until you're in the middle of the year-end Christmas rush.

Business planning also doesn't require any particular expertise. You don't have to follow a specific formula or style. You don't have to use big words or long paragraphs.

Choose whatever organizational style you want. The simpler, the better. You want the plan to be easy to write and easy to understand.

**A good financial forecast will help you spot potential cash shortages long before they actually hit.**

### PRIORITIES

But what about that third reason florists don't have business plans? Who can think about the next 12 months when you have so many other things to do?

There's no easy answer to this one. You simply must become convinced that gaining a long-term perspective is important to your business. You have to make planning a priority at least equal to your other responsibilities.

Until you make this commitment, you won't gain control of your business. You'll find yourself reacting to events, rather than setting the pace.

So, how do you proceed?

Whatever format you choose, your business plan should address six different topics. Depending on your situation, some may get more attention than others. But all are essential.

### 1. Overview

To decide where you are going, you must understand where you are and how you got there.

Sometimes a business can subtly slip off the track. A business overview will help you step back, put the operation in context and reorient your focus.

You can do this by summarizing such helpful facts as:

- How and why you opened (or bought) the shop
- The kind of flower shop you are today
- The goals you want to accomplish in the future
- What each owner brings to the business

Together, this type of information will give your plan a direction.

### 2. Customers & Products

A flower shop does more than sell products. Your real mission is to



satisfy certain needs and desires of a group of customers.

To do so, you have to understand your target customers. Where do they live? What are they like? What needs are important to them?

Once you have a good description of your customers, do the same for your product offerings.

For hard goods, that means the type of products (for example, plush toys, baskets, decorative accessories), as well as details on the specific lines you carry.

For fresh products, start with the obvious distinctions:

- Do you sell many loose-cut flowers?
- Are your arrangements primarily one-of-a-kind? Or do you sell a good number of in-house or wire-service specials?
- What about plants—green and blooming?

Next, analyze how well these products meet the needs of your target customers. If changes are in order, this is the time to decide.

### 3. Competition

Every business has competition. Yours is no exception. So, list your major competitive threats.

This will include traditional retail florists (other shops) who compete for your customers. And non-traditional outlets (supermarkets, kiosks, online vendors) that also capture floral sales.

But don't limit your list of competitors to businesses that sell flowers. In some cases, your biggest competition will be non-floral merchants who compete for your customers' money.

For example, suppose you do a good volume of corporate business. Office arrangements. Corporate functions. Gifts. Even if no other florist in your area is threatening this part of your business, you still have competition. Your clients could use other decorating touches. They might switch to non-floral gifts. To protect your corporate sales, analyze the strengths and weaknesses of each competing source.

### 4. Marketing

This part of the business plan draws on the facts developed in the preceding sections.

How do you effectively reach your target customers? To be successful

today, you can't be a passive order taker. You must be more proactive.

The marketing section summarizes the media and messages you will use to convince customers you have the answers they need.

The marketing section doesn't need to be pages and pages long. Just long enough to set out your basic direction and marketing budget.

What will it take to get your message out successfully? Typical marketing budgets are 3% to 4% of expected sales revenue.

### 5. Operations

The operations section details how you will design, produce and deliver your products.

For the first draft, summarize your present system. Then, make any revisions that will be required next year. A more ambitious sales goal, for example, might require different design techniques than those used in the past. More automation. More production designing.

Then, consider the shop's workflow. You may find office, delivery or sales procedures that made sense at one time don't any longer. Your business plan should show how you will delegate and route work. You'll also want to analyze your facilities. Do you need more (or less) space in the long run? Are your coolers and delivery capabilities adequate?

One of the biggest operational concerns is your staffing.

Do you experience a dramatic drop-off in labor costs during non-holiday months? You should. If you beef up the staff to meet holiday demands, you must cut back during the rest of the year. Set out your basic staffing parameters in the plan.

### 6. Financial

Finally, conclude your plan with a financial projection for the coming year.

To get started, refer to the shop's financial statements for the last year or two. Adjust the historical revenue and expense numbers to account for any changes you plan for the coming year.

Also factor in other financially relevant items. An increase in rent. New

# What You'll Gain

An effective business plan will clarify what your goals are and how you will accomplish them. It also will reveal potential problems before they occur.

For example, your pattern of sales and expenses may be leading you to an August cash crunch.

How much better to know now if and when trouble is coming. With advance warning, you can take preventive measures to avoid or overcome the problem.

A business plan charts your shop's course. It provides standards by which to judge your results. Lenders and outside investors also will gain a greater perspective on your business.

equipment purchases. A wholesaler's price increase.

A good financial forecast will help you spot potential cash shortages long before they actually hit. This will give you enough time to counterattack—by raising revenues, cutting expenses or finding a loan to cover the gap.

### A LIVING DOCUMENT

That's the business plan.

It provides the standards by which you can run the business and gauge your success or failure.

Don't put your plan on the shelf once it's complete. Use it. Put it to work. Refer to it repeatedly as the year goes on.

Operating in the light is always better than being in darkness.

Bring a little light to 2023 by writing a business plan now. 🌱



# The Family Business

## Perks Getting Something for Nothing?

**S**mall business owners often think their company is a ticket to free goodies. The business pays for almost everything they want or need.

That's not really true. The company might write the check, but that means less profit on the bottom line. The owner ends up paying for all those perks in the end.

The only benefit is that the company pays with pre-tax dollars. The owner pays with after-tax dollars. So, to the extent the company can legitimately cover an expense, there's a tax savings.

### RISK OF ABUSE

Since the person who benefits from these tax savings also controls the company checkbook, the threat of abuse is real.

As a result, the Internal Revenue Service (IRS) has created rules that put a roadblock in front of potential abusers.

### CARS

Take company cars. Why not have the company buy the owner's vehicle and pay all the expenses? The owner gets a new car paid with pretax dollars, right?

Not quite.

First, company cars have to be depreciated according to a strict schedule. If the car is used extensively for personal use, the law requires straight-line depreciation. No accelerated write-offs, as with other company assets.

Second, the business also must keep an exact log of all personal and business use. The individual must pay for his or her personal use of the vehicle, even if the company owns the vehicle.

### A Better Solution

How can you get similar benefits without as much trouble or risk?

Just buy the car yourself and charge business mileage to the company. It's easy. It's clean. And, even more importantly, you won't have to worry about tax or audit problems.

One of the first things IRS auditors look at is company cars. After all, the auditor doesn't get a pre-tax car, so why should you?

If there is no company car, there is no issue.

### WHAT ABOUT TRAVEL?

Same issue as with cars. You don't want to act illegally and then get audited. It's just not worth the few dollars you might save.

**Just buy the car yourself and charge business mileage to the company. It's easy. It's clean.**

So, if you are planning a personal trip, belly up to the bar and pay for it yourself. Don't treat it as a business trip.

On the other hand, always take advantage of the deductibility of legitimate business travel expenses.

Industry shows and events are prime examples of events you can write off. Travel to gift shows is also easy to justify as a business expense. And there's nothing wrong with going out to dinner and enjoying the location while you are there.

The complication comes when you add personal travel onto a business trip. Be careful. In those cases, the tax rules require that you pay personally for the personal travel, as well as a suitable percentage of the ticket that got you to the original location.

### OTHER PERKS

There are many legitimate perks to owning your own business. Health insurance (if you're set up properly) and company-paid entertainment of business suppliers, associates and customers, to mention a few.

However, there also are many things that you shouldn't try to expense.

As you decide what to expense and what to pay for personally, you have to consider two issues.

The first, and most important, is ethics. How much is your integrity worth? Hopefully it's not for sale at any price.

Second is tax compliance. When you push the envelope, you run the risk of unexpected taxes, penalties and interest. All can add up to quite a tidy sum.

### THE BEST ADVICE

Don't try to take what isn't yours. Your conscience will be clear. You will sleep better at night. And remember, it doesn't cost that much to walk the straight path. ✿

**For a complete explanation of IRS rules in this area, go to [IRS.gov](https://www.irs.gov) and download a copy of the publication "Travel, Entertainment, Gift, and Car Expenses."**



# Smart Buying | A Key to Profitability

Owners of very profitable businesses often say they make as much money by buying right as they do by selling right.

How can that be?

Think about it. You buy a stuffed animal from your local wholesaler for \$5.00. Then, you apply your normal double markup for gifts and retail the item for \$9.99.

Now, suppose you could buy that same animal for \$4.50, \$4.00 or even \$2.50. What would you do?

If other local retailers are selling the animal for \$9.99, you could follow along and substantially increase your margin.

Alternatively, you could keep your normal markup and reduce the retail price accordingly. This would undercut your competition and, hopefully, attract more customers.

A third option would be something in the middle: Improve your margin and still offer a better price than the competition.

Base your decision on how fast the item is moving. If you can sell the products quickly and keep your normal retail price, go for it.

## HOW DO YOU BUY RIGHT?

First, compare all available sources for the products you want. Check local suppliers. Attend gift shows. Read catalogues.

And don't forget the internet. You can quickly search many wholesalers or manufacturers online. Internet prices typically are very competitive. You never know when you'll come across a great opportunity.

Second, investigate volume discounts. You often can save 15% to 30% by buying in quantity. Just don't buy

more than you can move out. You'll end up paying more—not less—for each product you sell.

Third, consider freight and handling charges. Your local supplier already has added freight into the prices, so your cost may appear higher at first glance. However, when you add these extra charges to the remote or online wholesalers' base prices, your actual savings will dwindle or disappear.

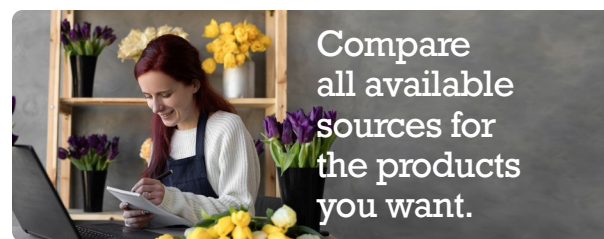
## LOOK FOR SPECIALS

Another good strategy is to talk to your suppliers in advance about buying discounted merchandise.

Suppliers run their businesses just like you do. They estimate their sales for each product, buy that amount and then hope to sell their whole inventory. Of course, it doesn't always work out that way.

Offer to buy certain leftover products at their cost or lower. You might get some great deals.

Buying a supplier's closeouts has two challenges. First, you often have to step up to the plate at a moment's notice. Second, you must be confident you can move the product out while it is still in good shape.



Compare all available sources for the products you want.

If you don't have the time or the customer base to make the sales, don't buy the item.

## GREATER MARGINS; GREATER VALUE

Buying right allows you to increase your margins, offer customers a better value or do a little of both.

It's a great way to do business. 🍀

## FAMOUS FINANCIAL WORDS

"In management, 30 years of experience does not count for much if it merely means 10 times three of the same experience."—Neil J. McKinnon

"Learn to complain, politely and firmly, when you receive what you believe to be inferior goods or services. Don't register your complaint with the salesperson or the waiter, but with the boss or the owner. He'll listen."—Stanley Marcus

"Above all, whatever the manager's style, his or her success depends on developing and maintaining good relationships with the employees."—Kenneth J. Matejka

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# INQUIRIES & ANSWERS Letters

## PAID HOLIDAYS FOR EMPLOYEES

*"How many florists give their employees July 4 off with pay?"*

### There's no statistical information.

The most recent data Floral Finance Business Services has is from the 2014 *Floral Finance* Salary Survey. In that survey, 89% of participating florists gave paid vacation to employees with more than one year of service. However, the survey did not address holidays as a separate category.

Our assessment is that most retail florists do not give July 4 holiday pay. Shops that do may limit the benefit to full-time employees or prorate the amount of pay, based on the number of hours the employees work each week.

Notably, employee benefits have not changed much since 2014. Any changes that have been implemented probably have increased, rather than decreased, benefits.

## TEACHING OLD DOGS

*"My accountant doesn't seem to understand the flower business. How can I educate her?"*

### It's tough.

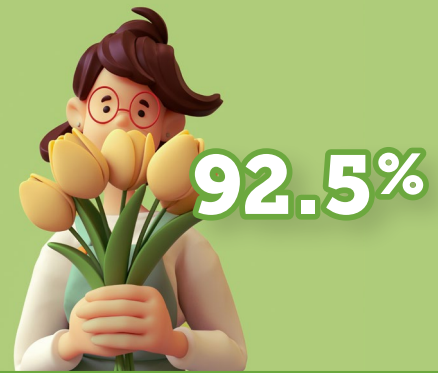
This is one of the most common questions Floral Finance Business Services hears from retail florists. Few accountants understand how different you are from other retailers. Most accountants only have one or two florist clients. It's just not worth the time and effort it would take to learn the intricacies of the business.



Cost of goods sold (COGS) and wire-order accounting are the two areas accountants most often mishandle. Since retail florists are really manufacturers, it is essential to separate the COGS for each product category, especially arrangements. That's the only way to determine how well you are controlling design room costs. Improper wire-order accounting also can throw off your COGS numbers.

## NORMS

### SALES FROM FLORAL



The percent of a typical retail florist's sales that comes from flowers or floral-related products.

In contrast, non-floral products account for only 7.5% of sales. This total includes:

- Gifts 4.7%
- Balloons 1.5%
- Fruit baskets 1.3%

In other words, retail florists are really in the flower business.

Some owners believe opportunity lies in boosting non-floral sales. Others prefer to grow by focusing on their area of strength—flowers.

*Source: Floral Finance Business Services database.*

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