



FINANCIAL
INFORMATION,
EDUCATION
& CONTROL

Floral Finance®



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JANUARY 2021
VOLUME 40, ISSUE 1

QuickTakes

*Ideas You Can Put
to Work Immediately*

1 New Year's Resolutions

January is an excellent time to plan where you want to take your business over the next 12 months.

Think of at least three things you want to accomplish. Make each goal quantifiable. Increase sales by 5%. Attend three design classes. Cut expenses by 10%.

Knowing precisely where you want to go will propel you forward.

2 Gather Your Staff

It isn't long until Valentine's Day. The busiest day of the year.

To get ready, gather your staff. Review 2020. What were the biggest challenges? What worked well? What tricks have you learned since the COVID-19 pandemic that could apply?

Base this year's operational plan on experience. The result will be a smoother Valentine's Day 2021.

3 Temporary Valentine's Help

You'll need extra hands to handle the Valentine's Day rush.

Get your help lined up early. Provide training before the crunch hits. Last-minute, on-the-job instruction will only slow down the work and frustrate your customers.

Set up work schedules in advance so everyone can plan. If possible, keep employees' regular schedules a little short of 40 hours so they can add a few extra hours without costly overtime.

OUR UPSIDE-DOWN WORLD



The last 10 months have been tough on everyone. COVID-19 has created unprecedented health, job security, education and childcare problems, to mention just a few.

Although vaccines are rolling out and treatments are being discovered, the challenges will continue through the summer, under even the most optimistic scenarios.

So, what can you do to ease your staff's concerns?

Start the conversations on a personal note. See how each person is really doing. Both personally and professionally. Listen and respond to individual concerns as you are able.

Be as flexible as possible—and as patient as possible. For example, childcare is particularly challenging these days. Personal schedules can change quickly for parents with young children. Similarly for those who are dealing with illness in their families or caring for elderly parents.

So much is beyond our control.

Connection and honesty are critical. Communicate at least weekly. Your candor will breed trust.

Invite feedback and suggestions.

Along the way, be sure to reinforce your business' goals. Build daily plans and structures. Flex as needed.

Employees will feel a sense of accomplishment as they see the goals being realized. That sense of accomplishment can fuel optimism and hope.

Normal will return. The sun will continue to rise each day, along with new possibilities.

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On the cover: Teleflora's
Charmed in Love



Direct- Response Marketing

The Greatest Return per Dollar Spent

The goal of direct-response marketing is to **get the prospective customer to take a specific action**.

The desired action could be a call, a visit to the shop or website, or making a purchase.

The difference between direct-response marketing and regular advertising?

Advertising promotes awareness of a business, product or service. It seeks to create brand awareness and stimulate general interest.

Then, when a need or occasion arises, a point-of-sale (POS) piece can do the actual selling. Selling is most effective when you are face-to-face with the prospective customer so you can "read" how your effort is being received and respond accordingly.

When you are not with the customer, a direct-response marketing "call to action" can substitute.

The direct-response request could be communicated through an email; a Facebook or other social media promotion; or an ad, coupon or product insert.

For most shops, direct-response marketing is an economical and effective technique—especially with current customers. It is easier and less expensive to get a present customer to buy more than to find a new customer.

The better your customer database, the more you can target your message to individuals with specific interests.

DIRECT-RESPONSE MARKETING MATERIALS

Focus on five fundamentals as you create your direct-response marketing strategy.

1. Know why people decide to purchase.
2. Create the sense of an emotional need.
3. Understand the difference between features and benefits.
4. Create vivid pictures for your customers.
5. Back up your promises with proof.

WHY PEOPLE BUY

If you don't know why someone buys your products, you won't know how to motivate a purchase. As a result, you may present the wrong message.

Most U.S. and Canadian consumers purchase out of desire, not need. Western wealth usually goes way beyond "needs."

Humans' basic needs include food, clothing and shelter. However, even businesses that sell these basic items focus on customer desires.

Think about it.

For most of us, our eating patterns go beyond basic sustenance. We buy food we like. We consider how it has been prepared. Its flavor and spices.

Same thing with clothing. We look at colors, style and quality.

And, as for shelter, we want more than four walls and a roof. Design, square footage, appliances and a thousand decorator touches factor into most housing decisions.

For floral customers, desire obviously is the driver. Your goal is to boost that desire to a level where it "feels" like a need that requires satisfaction.

EMOTIONAL NEED

To create the sense of an emotional need, make a promise that relates to the customer's wants.

The customer's real focus is not the flowers. It is what the flowers will do.

It is easier and less expensive to get a present customer to buy more than to find a new customer.

Customers want to create an emotion or deliver a message.

So, focus on that emotion or message.

If the flowers are going to someone who is in the hospital, focus on how the gift will cheer up the patient and encourage a speedy recovery.

For a husband giving anniversary and Valentine's flowers, show how flowers perfectly express love.

FEATURES VS BENEFITS

Effective marketers

focus on benefits rather than features.

Red, long-stemmed roses and a clear glass vase are features of an arrangement. They are not benefits.

Benefits are what the arrangement does for or says to the ultimate recipient.

Focus your message on the benefits—how the arrangement conveys love, sympathy, good wishes or an apology.

Think of Hallmark's longtime slogan: "When you care enough to send the very best." The message stresses the benefit of sending a Hallmark card, not the card itself.

Similarly, you can reinforce what your products and services will bring the customer.

VIVID PICTURE

Paint an attractive picture in the customer's mind.

To better understand this idea, think about restaurants. Many have websites with words and prices. Some use expressive adjectives. Still others have beautiful full-color pictures of their menu selections. The images stimulate your salivary glands.

A picture really is worth a thousand words.

The goal is to help the customer visualize what you are selling. Your message then will become more than mere words. It will become something customers can "see."

CLAIMS & PROOFS

You might talk about having the "reddest roses in town." Or the exceptional quality of your flowers.

These statements are meant to reinforce your brand and support that there are real reasons why your product will deliver as promised.

However, ideally, you can back up a claim with a proof statement. Perhaps the roses you are selling won a special award. Or maybe you were voted the best in your community for customer service.

Proofs make claims much stronger.

SEEK INPUT

Always run drafts of marketing messages by your staff, spouse, partner or trusted friend.

Share what you want the message to do. Let your reviewers evaluate whether your intended message is coming through. Ask if they would respond with a call, a visit to the shop or a purchase.

You'd be amazed how often a message you think will be clear and effective just isn't. If your reviewers don't "get it," tweak the message until they do. ☀



Gift Cards & Gift Certificates

A customer comes into your shop to make a purchase. She doesn't want anything specific at that time. Instead, she wants a gift card her mother can use later.

Old-fashioned gift certificates are becoming increasingly rare. Most florists now offer gift cards, which work seamlessly with the shop's point-of-sale (POS) system. However, if you still sell gift certificates, the ideas and principles in this article apply equally well.

If you don't sell gift cards, you could be losing an easy sale.

True, you could pull out a piece of stationery, write "Gift Card" at the top and the requested amount with your signature below.

That would work. But it wouldn't make your shop look very good. You need a more professional and formal way to sell gift cards.

MARKETING TOOL

Gift cards are an attractive product that will meet many customers' needs.

When a customer isn't sure what to buy someone, a gift card is a perfect solution. It conveys the giver's message while letting the recipient choose just the right item.

Promoting gift card sales in your advertising can bring in customers. And in-store signage and point-of-

purchase displays promoting gift cards may keep undecided shoppers from leaving without making a purchase.

Gift cards also are perfect add-on sales. At checkout, you can ask purchasers if there are any occasions coming up for which they could use a gift card. It's nice customer service. And a certain percentage of people will say "yes!"

**Be aware
that some states
do not allow gift
cards to expire.**

There's no question about it. Gift cards can be a strong plus for your customers and your business.

FREE CASH

From a financial standpoint, gift cards have one big advantage: Until the gift card is redeemed, you are using someone else's money at no charge. Suppose, for example, a customer buys a \$50 Christmas gift card on Nov. 25. If the recipient doesn't redeem the card until Feb. 25, you

essentially have received a \$50 loan at 0% interest for three months. Some recipients wait even longer than that to redeem their gift cards.

If you do any substantial volume in gift cards at all, this “free money” will add up quickly. You might be able to lower your line of credit and reduce your interest payments. Or maybe the extra cash will help you solve other important cash flow issues.

100% PROFIT

And here's a little secret: Some gift cards are never redeemed. That may be the biggest advantage of all.

That's not the goal, of course. You want gift card recipients to come back to redeem their cards. When they do, some will make other purchases. You may launch relationships with brand-new customers.

But the fact is a certain percentage of recipients just won't show up to claim their flowers. When that happens, you have a 100% profitable sale.

NEGATIVE SIDE

Gift cards do have some drawbacks. But they are relatively few and fairly minor. All have to do with handling and accounting for these sales.

First, you have to produce the gift cards. You want an attractive look that positively reflects your store's image. The cards also must be designed to work with your POS system.

Second, you need strict procedures for handling the cards. Your POS system will track the necessary information for you.

Third, you must train your employees on how to handle the sale and redemption of gift cards. If cards are not processed properly, you will lose valuable data and create accounting errors.

Last, make sure the cards are kept in a safe place. Remember, once activated, gift cards are the same as cash. So, they need to be handled with care.

That brings up the next part of the procedure.

LIABILITY

Accounting for Gift Cards

To properly account for gift card sales, set up a gift cards account in the payables section of your balance sheet.

A gift card sale is a different kind of sale than you may be used to. All your other products and services are recorded as sales revenue on the income statement.

A gift card sale is a promise to deliver goods in the future. Hence, it is a liability. It's as if the customer agreed to loan you some money now in anticipation of a later purchase. So, just like any other loan, it is recorded as a liability on the balance sheet.

Although you ring up gift card sales like any other sale, your POS system will record different general ledger entries.

Daily Gift Certificate Auditing

If you still offer gift certificates, keep a log of the certificates you sell. Then, check the log each day to make sure it matches the sales you record.

You'll also need to update the log as each certificate is redeemed.

The log should contain the following data:

- Date of sale
- Certificate number
- Amount
- Who bought it
- Who sold it
- Date redeemed
- Who redeemed it

A little hassle, but well worth the trouble. The fact that your employees know you have tight procedures will head off most theft.

By numbering and logging all sales, you can quickly identify any stolen certificates and catch them when they are presented for redemption.

REDEEMING GIFT CARDS

Today's POS systems make gift card redemptions easy.

You simply swipe the card or enter the pertinent information. The redemption will be registered as a payment.

automatically by coding the redemption as a balance sheet debit just as you would do with cash or a receivable.

Finally, you need to decide whether you want to put an expiration date on your gift cards or certificates.

Some florists set an expiration date of 6 or 12 months. All gift cards and certificates that are not redeemed during that time are moved from the balance sheet to the income statement gift card sales account.

Of course, if a good customer tries to redeem a card or certificate beyond its expiration date, you should honor it and let your accountant make the necessary adjustments.

Other florists don't use an expiration date. They are happy to let the unredeemed balance sheet account continue to grow. They know they will have to pay income tax on whatever portion they declare as income. So, they just leave it all on the balance sheet to show the cards are still outstanding.

Be aware, however, that some states do not allow gift cards to expire. This protects the customer. If your state has such a law, you have to honor the card whenever it is presented.

A GOOD DEAL

That's the gift card story.

A few procedures to establish. A little bit of work. However, the benefits for you and your customers far outweigh any inconvenience.

Your customers win because they have a helpful purchase option.

You get "free" cash to use for a while. Cards that are never redeemed yield a 100% profit margin. And you will be introduced to recipients who could become repeat customers in the future. ☀



The POS system will update the gift card log and capture the appropriate general ledger information.

THREE STEPS

Accounting for gift cards and gift certificates involves three steps. With gift cards, your POS system will automatically make these entries. If you sell gift certificates, you and your accountant will need to do the work.

First, at the end of each month, your accountant should confirm that all gift certificate sales were recorded as payables on the balance sheet. This will accurately reflect your liability for the outstanding gift certificates.

Second, relieve the appropriate payables account each time a certificate is redeemed. That can be handled





EMAIL MARKETING

Easy, Fast & Broad-Reaching

Email has made communication easier and faster than ever before. In an instant, you can communicate with people almost anywhere in the world. As a business owner, it's easy to see the value email marketing can bring to your business.

On the downside, your recipients have to filter through an incredible amount of junk mail that comes in each day—from annoying spam advertising to downright offensive pornography promotions.

Your messaging must not only reach your target but also get opened and be relevant enough not to simply be deleted or opted-out.

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TWO TYPES OF E-MARKETING

Valid email marketing—not spam flung out to the far corners of the galaxy—comes in two flavors: program marketing and campaign marketing.

In program marketing, you send your message out on a regular basis. A monthly e-newsletter is the classic example. Each month, keep in contact with your customers by serving up valuable information they can use.

Every issue is similar in content and appearance. The purpose is to build awareness of your brand and your shop's overall offerings. It also can promote specific products and services; however, the specific promotions always

are in the context of your larger message.

Campaign marketing is much more limited. These emails focus on one item at a time. Your goal is to generate a response to a specific product or service.

THE CHALLENGE

In any type of email marketing, the major challenges are the same: getting the recipient to open and read your message, and not to delete or opt out.

Whether people open an email depends, first, on whether they know the sender. If they don't, you can almost guarantee an automatic delete.

If they see at the beginning that good things come in your emails, they'll be more likely to open future messages.

The second most important factor in a successful campaign is the subject line. If the recipient knows the sender, the subject just needs to be informative—a straightforward indication of what the email is about.

How can you get customers to read your emails? First, ask them if they would like to receive them. Then ensure your content remains engaging and relevant so your customers know your e-communications are worth reading. That way, they'll stay on your list.

GATHERING THE LIST

The first step to creating an email database is simply asking customers if they would like to receive your e-newsletter, promotions and delivery confirmations.

Make your opt-in effort as organized and strategic as possible. Display attractive, visible forms at the cash register so customers can sign up when they are checking out.

And adjust your telephone sales script. Ask every phone customer if they want to receive your emails. If they say "yes," get their email addresses.

Another way to boost sign-ups is with specials and announcements that can only be received via email. The tangible benefit will give customers even greater reason to supply their addresses and open your emails.

When you get an email address, immediately send the customer a thank-you message—maybe even with a small discount code for their next order. If they see at the beginning that good things come in your emails, they'll be more likely to open future messages.

DATABASE UPDATES

People change their email addresses even more frequently than they change their physical addresses. On average, you can expect approximately 20% of your email addresses to go bad each year.

To counter this problem, make sure you know who belongs to each email address. Then, when you get a notice that an email has bounced, call the customer and ask for his/her new email address. ☀

Proper Accounting for Cost of Goods Sold

To make a profit, retail florists have to control their cost of goods sold (COGS). Don't put too many flowers in arrangements. Stick to your pricing formula.

Proper COGS control begins with good information—specifically, your COGS for arrangements. You have to separate that from all your other COGS.

Very few florists' financial statements make this distinction. Maybe only one in 50.

As few as one in 50 florists' financial statements make the imperative distinction between arrangement and other COGS.

COGS DONE PROPERLY

First, divide your sales into major product and non-product sales categories.

Next, set up a COGS category for each of the major product sales categories.

Why? Because retail florists sell a variety of products with different markups.

Gifts probably have a 2x markup. So, assuming no discounted sales, gifts' projected COGS is 50%.

Arrangements are more complicated. The most common pricing formula looks like this:

Labor	20%
Supplies & Container	2x markup
Flowers & Foliage	3.5x markup

If followed correctly, this pricing formula will produce an overall arrangement COGS of 27% to 33%.

Mixing gift COGS with arrangement COGS produces a hybrid number that is not very helpful.

THE ACCOUNTING

The most accurate way to account for each COGS category for most retailers? First, each month, put all purchases into inventory accounts on the balance sheet. Then, as sales are made, move the appropriate amount of inventory to COGS.

This approach is extremely accurate for other retailers. However, it is totally impractical for retail florists—and, thankfully, not really necessary.

The only category that needs to be monitored this closely is arrangement COGS. Arrangements are manufactured by the florist. Extra flowers can easily find their way into the finished products.

All other products are brought in, marked up and sold. Very little room for error.

For non-perishable COGS, follow these two steps:

1. Set up separate COGS accounts for each major product area (green plants, blooming plants, balloons, gifts, silk/dried, etc.).
2. Expense product purchases directly into the proper COGS category. That's it. Easy.

Note: You often will expense more products in a given month than you will sell. As a result, your COGS for those products will be overstated for that month.

However, your year-to-date numbers will give a more accurate COGS perspective. By the end of the year, everything will match up. In the meantime, your standard markups will suggest your approximate COGS for those products.

Accounting for fresh product COGS also involves two steps.

1. Expense all flowers and foliage purchases to arrangements COGS.
2. Expense all containers and supplies to a supplies COGS category.

That's it. Your arrangements COGS will accurately reflect how well you controlled your design process.

If you prevent stuffing in the design room, your fresh flower and foliage purchases should be no more than 25% of fresh flower sales.

Monitor this percentage weekly to make sure you are on track. Add up all fresh flower and greens purchases. Then, divide that total by the week's total fresh sales. If it's under 25%, you are doing great. ☀

FAMOUS FINANCIAL WORDS

"Success is not final, failure is not fatal: it is the courage to continue that counts." — Anonymous

"Be undeniably good. No marketing effort or social media buzzword can be a substitute for that."

— Anthony Volodkin

"Business opportunities are like buses; there's always another one coming." — Richard Branson

INQUIRIES & ANSWERS

Letters



FEATURES & BENEFITS

*"What's the difference between features and benefits?
And which is more important to advertise?"*

It's important to advertise both.

A product *feature* is usually a physical characteristic or something the product does. For example, you might advertise that you have red roses. Red is a physical characteristic.

A *benefit* is what a product or feature brings to the purchaser. The benefit of red roses is that they are the most romantic flower on the market.

You need to tell people the features of your products and services. But don't stop there. Explain how those features will benefit them. Features are nice, but benefits sell. (See page 2 for more.)

Take your delivery service, for example. What are the benefits of that service?

- Your delivery service saves customers' time.
- They can get an arrangement to a loved one even when they are traveling.
- They can have a floral gift delivered at the precise time and place that will make the biggest impression.

Tell features ... but sell benefits.



NAMING AN EXECUTOR

*"I plan to name my brother the executor of my estate.
Should I talk to him about it ahead of time?"*

Absolutely.

Serving as an executor is more of a responsibility than an honor.

The executor is responsible for assembling all your property when you die. Filing estate tax returns. Following through on the instructions in your will or trust. Making decisions on matters you may have forgotten. Trying to keep all the relatives happy.

It's a big job. Not the kind of thing you want to surprise someone with.

NORMS

VALENTINE'S DAY PICKUPS & DELIVERIES



On average, 50% of all Valentine's Day arrangements are picked up by the customer and 50% are delivered.

I conducted an informal, unscientific survey last year to get this answer. To find data specific to your shop, check your POS system.

The more you know, the better you can plan your holiday deliveries and in-store visits.

Every visit is a marketing opportunity. Make the most of each one. Clean and decorate the shop. Everything the customer sees should look spectacular. For added impact, give in-store customers a coupon for their next visit.

FLORAL FINANCE is published 12 times a year by Teleflora LLC

Annual subscription rate is \$89.95 domestic and \$129.00 (Canadian) in Canada.

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