



Teleflora[®] Finance

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QuickTakes

*Ideas You Can Put
to Work Immediately*

1 New Year's Resolution

Every florist wants to build a more profitable shop. But are you willing to do whatever it takes to boost your profits?

Without that commitment, you won't have the tenacity to see your way through tough decisions and make needed changes.

Take control of your future. Determine what you want to accomplish, and then follow through in 2022.

2 Schedule Time Off

Don't lose your enthusiasm by getting burned out.

Christmas was busy. And Valentine's Day will be, too. You're not a superhuman. You need a break, just like everyone else.

But it won't happen if you don't make time for it. Plan some time off before Valentine's hits to relax and enjoy your family and friends.

You'll be happier and refreshed. And ultimately accomplish more.

3 Letters to Santa

If you haven't done so already, stop and write down what happened during December.

What to include? Sales trends. Personnel issues. Discoveries. Things that worked or didn't work. Anything you don't want to forget. Get your employees' input as well.

Then, set the notes aside to review next fall. What you learned in 2021 will be invaluable when it's time to plan Christmas 2022.

DELEGATION



It's a natural process as you grow a small business. First, you handle everything yourself. Then, as things get busier, you hire someone to help you.

That person takes on some of the tasks that are easy or that you don't enjoy as much. That assistance sets you free to address more important and more enjoyable responsibilities.

The process repeats itself as the organization grows. The organization becomes a pyramid. You get more done, more efficiently.

However, once in a while, an owner who should delegate just can't or won't do so. She thinks no one else can do each job as well as she can. As a result, she ends up serving those she hires rather than having them serve her.

In this case, the organization becomes an "inverted" pyramid. One that stands on its head. The person who won't delegate becomes overstressed because she has too much to do. And the failure to delegate stunts the organization's growth.

Pyramids won't stand on their heads for long. Gravity and lack of balance will pull them over. It's the same way with an owner who can't delegate. The pyramid will eventually topple—damaging the business and, often, ruining the owner's health, family or social life.

Learn how to delegate. Give away responsibilities, not just tasks. Help your employees grow. Allow them to fail. Everyone will be better off—and you just might find your business growing.

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On the cover: Teleflora's
Dance With Me



YOUR BUSINESS REVIEW

There's No Better Time

January is the best time of the year for a review of where your business is and where it should be headed.

You have the time this month. Doing a planning session now means you'll have new ideas and procedures you can tap to help your business all year long.

This doesn't have to be a long endeavor. One day should be enough if you prepare well and focus on the right issues.

To get the most out of the review, follow a couple of helpful rules.

First, get out of the shop. Go to a friend's office. Or your den at home. Or a nearby hotel conference room. Anywhere you think will foster an atmosphere of focus and concentration.

If you do the review in the shop, there will always be the temptation to interrupt the review to take care of other pressing business.

Second, unless your shop is truly a one-person operation, you will need input from the staff. The goal is to evaluate the shop's performance in a number of different areas. Staff members involved in each area can bring in knowledge you may not have.

GETTING ORGANIZED

Divide the planning session into three segments:

1. Financial
2. Operations
3. Sales and marketing

These three areas cover all the major issues you need to address. Allot an equal amount of time to each—or slightly more to any area you know is a particular problem in your shop.

Then, stick to your schedule throughout the day.

FINANCIAL

The financial area is a good place to start.

Results

Pull out your year-end 2019 financial statements. COVID may have distorted your 2020 results, so 2019

is probably a more “typical” year. Then, get the most recent YTD statements for 2021.

The first thing to check is whether your operating expenses are in line.

Over the years, *Floral Finance* has developed the following industry standards. Some shops will do a little better or worse. But generally, expenses and net profit for a well-run shop should be right around the following percentages of total sales:

INDUSTRY STANDARDS

COGS*	35%–37%
Labor**	30%
Facilities Expense	10%
Advertising	3%–5%
Other Expenses	15%–18%
Net Profit	10%

* This is overall cost of goods sold (COGS). It will vary somewhat by product mix. COGS for arrangements (perishable product only) should not exceed 25% of arrangement sales.

** Includes wages, payroll taxes and employee benefits with the owner/manager on the payroll. If the owner/manager is not on the payroll, the target is 20%.

Assess these figures and target any area that is way out of line for improvement this year.

Controls

Review the controls you have in place to safeguard the money in your shop. You can’t afford to be sloppy with cash. Theft or loss is a real possibility if you are not careful.

It’s best to separate money-handling tasks. For example, the person who balances the register should not be the same person who makes deposits.

Also, limit who has access to your petty cash if you keep a separate fund.

OPERATIONS

The way you run your business affects your profitability. Every day, some florists are wasting potential profit through inefficient procedures.

There are several operational areas to examine.

Hours

Is the shop open too many or too few hours? Look at your daily patterns to see if changes are needed.

Care & Handling

With customers now having more choices on where to buy flowers, it’s up to the professional florist to make his products stand out.

So, chain-of-life procedures are more important than ever. Cleaning buckets. Cutting stems underwater. The sensible use of preservative. Rotating product in the receiving cooler. Temperature control. Delivery precautions.

Most florists know what is required in each area. But it’s easy to get careless when things get busy. Your business review is a good time to measure your actual practices against the standards you say you support.

Record Keeping

An enormous amount of paper and cash goes through your shop each year. Are you tracking everything efficiently?

When customers have a question about their bill, how easy is it for you to find the paperwork?

If they want information about different products or prices, your record-keeping system should allow you to find what you need quickly.

You don’t want to make customers wait.

Store Layout

Simple changes in the configuration of your shop may make life easier for you, your staff or your customers.

Perhaps you can put the flowers closer to the customers. Or mark prices more clearly.

If employees are always running into each other in the design room, would moving a workbench reduce the collisions?

Other changes can make a good situation even better. Simple alterations may eliminate unnecessary steps the employees have to take as they do their jobs.

Personnel

One last operational area.

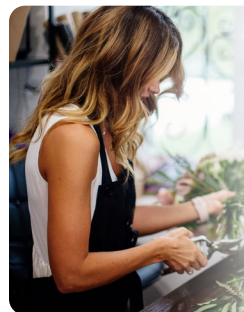
Look at the work systems you have designed. Would changes in job functions or responsibilities help the shop run more smoothly?

SALES & MARKETING

This is the third and final area in your business review.

Too many florists unconsciously drift into a pattern of mediocrity in the way they promote themselves to the public.

Obviously, in a one-day planning session, you can’t develop a detailed marketing plan for the entire year. You will, however, be able to draw some general conclusions about what you want to do.



Every day, some florists are wasting potential profit through inefficient procedures.

Product Mix

Are there lines you currently carry that should be phased out? There is no reason to tie up money in inventory that isn’t supporting itself.

Even if you don’t discontinue anything, minor shifts in your product mix could make sense. A little more of this and less of that.

As you make these decisions, also ask whether there are any new products or lines you want to try.

New Business

Evaluate your marketing efforts. Honestly.

How aggressively are you seeking new business? Have you slipped into a pattern of taking orders that come in but not seeking new business?

New efforts to attract weddings, corporate business or cash-and-carry may be in order.

A PLACE TO START

A business review is not something to check off of your to-do list and then forget.

It’s a first step that will continue to guide your actions and bring benefits all year long.

Start the year off right. Set aside one day for this important planning exercise.

You have the time. You have all the information you need. Plan your year now. You’ll thank yourself later. 🌸

Owning Your Building



IS IT PRACTICAL?

An individual or family just starting out has a number of financial goals. A desire to own a home often is at the top of the list. Home ownership brings a sense of permanence and stability. It is the great American dream. And for years, financial experts have touted the wisdom of buying a home.

Many businesses have a similar perspective. As they grow, they look forward to the day when they can open the door to their own building instead of someone else's.

In the floral industry, the ownership bug is less prevalent. Most florists lease their facility. Relatively few even consider buying a building.

That's the way it's always been. But is that the way it ought to be?

FINANCIAL PLUSES

Four financial considerations might point a florist toward building ownership.

1. Payments

You might assume that florists who buy a building have higher monthly payments than those who lease a comparable facility.

Not necessarily.

Rental rates and sales prices are largely based on supply and demand. In each case, the market sets the price. However, the rental market and the sales market are completely different.

Depending on your local market, it may be cheaper to buy than rent or cheaper to rent than buy. It's all a func-

tion of which properties are more in demand at the time.

2. Interest Rates

Today, mortgage interest rates are at attractive levels. Some of the best rates that have been seen in quite some time. That's good news for potential buyers.

On the other hand, lower rates tend to drive up the prices of real estate. Interest payment savings often are offset by a higher purchase price.

3. Equity

If you lease a facility for 20 or 30 years, what do you have to show for it at the end of the term? Nothing. Possibly hundreds of thousands of dollars "down the drain."

When you buy, you're making an investment—not just incurring an expense. You are building equity that can be tapped at some time in the future.

4. Appreciation

Historically, real estate buyers have known that if they wait long enough, their investment will appreciate.

There is good reason to expect this trend to continue. As cities become more fully developed, creating new retail space becomes more difficult. The space that already is available, therefore, should become more valuable.

However, appreciation is a long-term proposition. Especially today. In the short term, many communities sometimes see flat or even declining real estate values.

CONTROL

To all the financial pluses of buying, you have to add one "non-financial" benefit.

When you lease a building, someone else calls the shots. You don't know if your rental rate will rise. You don't know if the property will be maintained properly. For all you

know, the landlord may take the property out of the rental market altogether at some point.

It's different when you own the building. No one can raise your payments. You maintain the premises in the manner you want. You know the property can't be taken away from you.

Of course, you don't have absolute control.

Unexpected repairs, insurance hassles, property tax changes and other variables can impact your enjoyment of the property. But you are more the master of your own fate.

IT SEEMS CLEAR?

The above arguments seem pretty powerful at first glance.

Looking at these considerations alone, you might conclude that all florists should buy a building.

Wrong.

There are several reasons why buying may not be the best choice. Some apply to every business. Others are unique to the floral industry.

THE ECONOMY

Right now, florists are riding a wave of increased sales. However, some analysts expect a recession sooner rather than later. Although we all hope that is not the case, recessions are an economic reality. One will come along eventually. You need to be prepared.

You would hate to buy a building now, only to see its market value drop within the next year or two.

From a risk standpoint, therefore, this may not be the best time to buy. Be patient. The good deal you can get now could become an even better deal in the future.

LOCATION

A shop's location often has a great deal to do with its success.

This is obviously so for florists with high walk-in sales. However, even florists more geared to phone and internet business are often identified in the public's mind with a particular street corner or part of town.

You'll have to come up with the down payment. Not always an easy thing to do.

Then come taxes and insurance. And the biggest unknown? Repairs and maintenance. What happens when your 20-year-old building needs a new \$10,000 air conditioner?

Ownership also requires more of

your time. When you lease, there's a nice freedom in being able to pick up the phone and ask the landlord to fix whatever is broken.

When you are the owner, maintenance, repairs, improvements, and paying the bills will take many hours over the course of a

year. Who will do all the work?

Generally Speaking

A good candidate for building ownership will:

- Have a strong cash position.
- Be in a community with a stable economy that is less prone to recessionary pressures.
- Have a fairly small core of walk-in business so that relocating will not be an issue.
- Have a strong desire for control.
- Need more space or have other unique reasons for making a change.

A poor candidate for building ownership will:

- Have a weak cash position.
- Be in a boom-or-bust economy that is susceptible to big downturns.
- Depend heavily on walk-in business.
- Have little time or expertise to manage maintenance, repairs and upkeep.

A decision to leave a leased facility for another building you buy should not be made quickly. You don't want to destroy the image, identity or sales you have built at one location for what seems like a slightly better deal.

Besides, the locations many florists prefer can't be bought. Strip centers, large shopping complexes, office parks and malls generate traffic. A florist can feed off of its neighbors.

However, multiple-occupant locations are generally lease situations. If ownership means a standalone facility without any attractive neighbors, buying may be a bad idea.

HIDDEN COSTS

Mortgage payments are only part of the cost of ownership.

CUSTOMER RELATIONS

Buying a building can help a non-retailer enhance its image. Putting the company's name on the building instead of just in a lobby directory makes the business look more established, more stable.

This is less of a factor for retail florists. You already have your name out front. Most members of the public won't know whether you lease or own the facility.

So, from a customer relations standpoint, buying brings little gain.

MORE THAN A CHOICE

Put it all together and you'll see that the decision of whether to lease or buy

is not just a personal preference. It requires a cost-benefit comparison.

It's up to you to decide where you fit in the picture. Take a look at your options. And don't rush it. If today is a good time to buy, tomorrow might be even better. 🌻

Central Design



Large multiple-location florists sometimes live in both worlds. They lease their individual shops and own a building that is used as a central design center. Or they have a combination of leased and owned locations.

If the design center is not frequented by the public, it doesn't need to be highly visible. The owners can scout around for the best "deal" without worrying about any negative customer effects. They can also look for a convenient location that will ease delivery issues.



Credit Card Perks

Free Airline Travel

Many retail florists get two, three, four or more free round-trip airline tickets every year. It's a side benefit to owning your own business—and a result of the widespread acceptance of credit cards as a method of payment.

FREQUENT FLYER PROGRAMS

Every airline has its own frequent flyer program or is affiliated with another carrier's program. When these programs began, travelers could collect miles for each flight. If you flew enough, pretty soon you had enough miles to get a free ticket.

As the programs evolved, the airlines added many other ways to accumulate miles. One of the most popular is using a credit card issued by the airline to make purchases.

VISA OR MASTERCARD

Visa and Mastercard are the most popular frequent flyer program cards. Generally, every dollar you charge on the card equals one mile of credit to the frequent flyer program.

Thanks to introductory offers that often give you free miles up front, you can get a trip or two after a small number of purchases in your first year. So, you won't have to wait long to get the travel benefits you want.

With American Airline's AAdvantage program, for example, a free roundtrip to many destinations requires just 25,000 miles. So, even if you never purchase a flight on American, you can qualify for a free airline ticket if you charge \$25,000 worth of purchases on your program credit card.

SELECTING YOUR AIRLINE

See which airlines fly into your airport of choice. If only one carrier

serves your market, then your decision is made. However, if there are several, do a little more research.

Find out where each airline flies. Do they go where you might want to travel? How many direct flights do they offer from your preferred airport? Are their schedules convenient? Make sure the airline you pick offers the service you need.

SUPPLIERS & WHOLESALERS

Many floral suppliers and wholesalers now accept credit cards. It helps reduce their receivables and improve cash flow.

Using your frequent flyer program card for supplies and fresh product can help you rack up miles. If you charge as little as \$2,000 per month, you will earn a free ticket in approximately 12 months. Not bad, eh?

For most retail florists, charging that much is easy. Many could charge much more. Charges of \$5,000 to \$10,000 per month would yield two to five tickets per year.

THERE'S A CATCH

It's not a catch in the program but, rather, in how you use your credit card.

Credit is a blessing when it helps you through a temporary cash flow problem or allows you to earn free

airline tickets. It's a curse when you end up in debt, paying interest.

If you can't afford to pay your bills on time, don't even consider credit cards.

If you are operating profitably and paying your bills on time, using a credit card is a wonderful idea that can bring you absolutely free airline travel.

The trick? Don't get behind on payments. Pay the entire balance off each month as the statement comes due.

Regularly carrying a balance from one month to the next causes two problems. First, you will go deeper and deeper into debt. Second, you will have to pay horrendous interest rates—up to 20% per annum with many cards. The interest may cost you far more than what the airline tickets are worth.

So, if you don't pay off the balance each month, you're not really getting free tickets. In fact, you'll pay more than if you had simply purchased the tickets.

DON'T FORGET...

Anything you buy for the business is fair game. From gasoline to office supplies to in-store signage to flowers and supplies. Don't use a check. Use a credit card.

READY. SET. GO!

Once you've selected your preferred airline, sign up for its frequent flyer program and apply for the credit card. By concentrating your travel—and your purchases—on one airline, you'll get free travel sooner. 🌸

If you don't pay off the balance each month, you're not really getting free tickets.

Tips on Managing Holiday Volume



Valentine's Day is just around the corner. The typical retail florist will experience the busiest day of the year—along with the days leading up to it. Now is the time to prepare.

Mother's Day and Christmas also are busy seasons. But the work for those holidays stretches over more days, so the crunch isn't as bad.

As your Valentine's Day order volume picks up, the design room gets cramped. Similarly, the parking lot fills up with additional employee, delivery and customer vehicles.

Cramped quarters can bring down your efficiency. And cramped parking can drive away customers who can't find a place to park. Certainly not the result you want.

TYPICAL SOLUTION

To manage the increased volume, most florists just roll up their sleeves, hunker down and get to work. They make their current space do until the rush eases.

That's not a bad idea if you can keep your efficiency up and increase your productivity. However, more often than not, the existing space can't support the additional personnel needed to put out the volume during regular business hours. As a result, the shop has to add additional, after-hours labor. Longer hours can mean costly overtime pay or other inefficiencies.

There may be a better solution.

INEXPENSIVE, PRODUCTIVE SPACE

Since the crunch will only be for a short period of time, consider adding a temporary off-site design/delivery center for the few days that require extra output.

A no-cost solution might be your garage (if local zoning laws permit). Alternatively, see if you can rent a

nearby empty warehouse or building for a few days.

Almost anyone can find a business or landlord with unused space that they would be willing to rent for a few days. All you have to do is ask.



BENEFITS

A temporary off-site center will move the bulk of your deliveries away from the shop. That will ease congestion and open up more parking at the very time you have more customers coming to the shop. A big win.

Handling a significant portion of your design and delivery at the temporary location also will make your shop less harried. More customer-friendly.

Employees can better focus on customers' needs, with less hustle and bustle in the background.

LOGISTICS

You can bring a couple of phone lines into the temporary space to take orders—or simply use your cell or a disposable mobile phone.

What about refrigeration at the off-site center? If you are moving a high volume of flowers each day, you won't need it. Just make sure you don't keep too much fresh stock on hand at the temporary center.

STRESS RELIEVER

Sometimes the best solutions come when you think outside the box—or, in this case, outside your shop.

Many florists have found a temporary design/delivery center to be a perfect solution to the Valentine's Day rush.

Who says everything you do has to happen within the four walls of your shop? 🌸

FAMOUS FINANCIAL WORDS: Benjamin Franklin

"Creditors are a superstitious sect, great observers of set days and times."

"He who multiplies riches multiplies cares."

"If you would know the value of money, go and try to borrow some."

"If your riches are yours, why don't you take them with you to the other world?"

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INQUIRIES & ANSWERS Letters



CASH FLOW

How long does it take for a new shop to stop losing money and begin to pay its own way?"

There's no hard and fast rule.

Sometimes a new shop will see rapid sales growth. It takes only a few weeks or a couple of months for cash flow to turn positive. However, that is the exception.

Floral Finance recommends that new shop owners not plan on taking a salary for the first year. That may sound like a long time to go without a paycheck; however, experience suggests the shop's money will be needed for advertising, promotion and salaries for other employees.

Setting up an expense budget for a new shop's first 12 months will be fairly easy. Estimating sales will be much harder—there are just so many unknowns. The expense budget will at least tell you what you have to cover.

By the end of the first year, new shops in good-sized markets often have sales at a \$150,000 to \$200,000 annualized level.

GIVING AWAY THAT OLD CAR

"How much can I deduct as a charitable contribution if I give my old, personally owned car to a non-profit organization?"

Usually, the vehicle's Kelley Blue Book retail value.

You hear a lot of advertisements these days about giving away old automobiles to charity. The donor gets a tax deduction; the charity gets to use the vehicle or sell it for cash.

Selling a used vehicle yourself is a hassle. And you probably won't get the full retail value. Similarly, if you trade in the vehicle, you likely won't get the full value.

Consequently, a charitable deduction for the retail value of the vehicle can look pretty attractive—especially for donors who are in a high tax bracket.

With a personal car, you can deduct the blue book retail value, whether the charity uses or sells the vehicle. Even if the charity sells the car for less than blue book value, that will not affect the amount you can deduct.

If the vehicle is owned by the business, it's a different story. In that case, you probably already have deducted most or all of its value through depreciation. So, you only can deduct any remaining undepreciated value.

NORMS

MONTHLY SALES



January ranks number 11 in monthly sales. Only July is a slower month for most shops. Many florists just accept this reality. They continue business-as-usual operations and take a big loss for the month.

The better strategy is to work to minimize the loss. Reduce your staff until February. Cut a few hours here and there. Ask if any employees would like some extra time off. It'll all add up—and improve your bottom line.

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