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## QuickTakes

*Ideas You Can Put  
to Work Immediately*

### 1 Look at the Best

Judge employees by their best days. Most managers do the opposite. They look at the employees' worst days.

Your best workers will have many more good days than bad days. They also always will have other opportunities. If you want to keep them, they need to know you appreciate their contributions.

Evaluating them on their best days is one way to send that message—and keep them on board.

### 2 It Starts With Sales

Flower shop owners often focus on design. After all, isn't that what the business is all about?

Not exactly.

The most important job in any business is sales. Without the sale, nothing else happens.

Make sure your sales team knows how much you value what they do. Reward them. Compliment them. Most of all, train them and provide them with solid product information.

### 3 Clean House

September is the middle of a six-month non-holiday sales period. Take advantage of the slower pace. Put the extra time to work.

Get rid of all the items in your shop that you never use. Make a clean sweep of it. Then, organize whatever is left. When the next holiday arrives, you'll be more efficient.



## ARE THERE BENEFITS TO ANGER?



Dave Jewitt, a good friend of mine, puts out a “thought for the day” during the workweek. A recent entry he made on anger included several points worth repeating.

We see anger every day in one way or another. It comes in many forms. Everything from an explosive tirade to inappropriate comments or rude gestures in traffic.

And the enduring stress of the pandemic has shortened the fuses of many people.

Regardless of the origin of anger, rarely does it achieve any worthy goal. In fact, it usually has the opposite effect. Anger...

- Demonstrates we can't control ourselves.
- Damages teamwork and unity.
- Pushes away good people.
- Prevents people from focusing on needed change because they are distracted or hurt by the way we spoke.
- Diminishes our leadership potential because it damages the respect of those around us.
- Builds walls, because the target of our anger won't quickly forget the incident.

We will all lose our temper once in a while. When you do, apologize quickly and try to learn from your mistake.

Unchecked anger will destroy relationships in marriage, with friends and with employees and co-workers.

Don't accept failure in this area. It is far too important.

Paul Goodman  
Editor

*Paul Goodman can be reached at  
plgoodman@aol.com.*

# Selling by the Stem

## Join the Bandwagon



**H**ave you considered aggressively selling flowers by the stem and in small bunches?

Historically, most retail florists sold some non-serviced flowers. But they didn't usually sell many. They didn't make loose-flower sales a priority.

However, selling by the stem and in small bunches has grown dramatically over the last two decades.

Competition is the reason. Every time you walk into a grocery store or big box store, you see low-price, non-arranged flowers. It's a very visible reminder of whom you are competing against.

### THE PLACE TO START

If a florist offers a dozen roses arranged for \$69.95 and a single rose stem for \$3.95, you can bet that florist doesn't sell many single roses. The single-stem price is too high.

The loose stem, which doesn't have a vase, other materials or designer time, is priced about the same as the roses in the arrangement.

Competitors (like grocery stores) take a normal markup on the stem, add a little something for materials and handling, and offer a significantly lower price.

### MAKE IT LOW

More and more florists are realizing they can charge a much lower price for non-arranged products and still make

a good profit. Most find something like a 2.5× markup does the trick.

Of course, you need to check your competition's prices. After all, your customers will know what the competition charges. You should, too, if you want to be competitive.

Once you've settled on your pricing structure, there are several other keys to building a successful non-arranged, fresh flower sales program.

### FIXED PRICE POINT

This means you select two or three flower bunch prices that you think are right for your customers. And you always have something available at those prices.

This practice is common at grocery stores (and other competitors)



that promote non-arranged flowers. There's always a \$9.95 bunch at the checkout stand.

The fixed price point educates customers. They know that for a certain price, they always can walk away with something fresh. Many will come in looking for that special item.

Don't forget to have a higher fixed price point as well. A bunch that sells for \$19.95 or even \$29.95. At those price points, the bunches can be very impressive.

### LET THE CUSTOMER CHOOSE

Many flower lovers enjoy making their own creations.

So, let the customer pick and choose. Each flower has its own per-stem price. To make their do-it-yourself work even easier, offer small, pre-priced bunches of greens and a good selection, including some less common products.

These customers will enjoy the creative work. And many will spend more than they would have on a fixed-priced bunch or arrangement.

### DISPLAY THEM PROUDLY

Non-arranged fresh flowers sell best when they are out in the open

where customers can really appreciate them.

Europeans have recognized this principle for years. Many Nordic operations put all their flowers out in the open without refrigeration. They sell out every day and then start fresh the next.

An open cooler is another idea. Just make sure it's somewhere convenient so customers can easily pick out what they want.

### SPECIALS & PROMOTIONS

Advertising and marketing come next.

Any time you have a chance to run a special on non-arranged flowers, do it. Let your customers know you are dedicated to good products at good prices. You'll build a loyal clientele.

Don't forget promotions. "Buy 10, get 1 free" cards will keep customers coming back.

Use your creativity. You'll be rewarded with more sales.

### FRESHNESS & QUALITY

Your loose flowers should have the same quality and freshness that regular customers have come to expect in your arrangements. Second-hand product won't get the job done.

Be sure to include a care tag with each purchase. And consider adding a small packet of floral preservative with each bunch.

### GUARANTEE

Guarantee your product 100%. Always.

Whenever a customer is dissatisfied, replace the flowers. The benefits will far outweigh the cost.

If a customer abuses your guarantee, you will see that soon enough. The customer then can be requested not to shop at your store anymore. If you can't please him/her, don't even try.

Your guarantee will reassure everyone. They will know they can count on your product and your commitment to satisfaction.

### BUILD A CUSTOMER BASE

Design seminars are a perfect tool to further build a base of profitable customers for non-arranged stems.

First, you can make money off the seminars. Charge enough to earn a good profit from the effort. A seminar fee plus a supplies fee is appropriate.

Second, as you teach the basics, you'll educate these customers on what is involved in making an arrangement. As a result, they will come to appreciate the effort you invest and better understand arrangement pricing. Sure, they may do some of their own work in the future, but they also will turn to you when they need something truly special.

**Your customers will know what the competition charges. You should, too, if you want to be competitive.**

Third, you will be creating better flower consumers. When they make arrangements on their own, they will need to buy product. As long as your prices are competitive, they will be loyal and appreciative purchasers.

### DON'T FORGET LOCATION

Your location will partly determine your success in cut flowers. The more traffic, the better. The lower the traffic and the more out of the way your shop is, the more difficult it will be to promote loose-flower sales. You need lots of walk-in customers to truly excel.

If you're in a high-traffic area and aren't selling many flowers by the stem, you're missing a great opportunity.

### CHECK YOUR HOURS

Loose flowers often are impulse sales. They sell best during high-traffic hours.

You might have to open a little earlier and/or stay open a little later to serve these customers well. 🌸







# One Customer, Two Sales

## *An Easier Way to Increase Volume*

**W**hen it gets right down to it, there are only two ways to increase sales. Either you have to attract new customers or you have to get your existing customers to spend more. More customers or bigger spenders. Those are the only options.

Turning a \$30 sale into a \$33 sale isn't as glamorous as a splashy marketing effort to capture new business. Yet, the fact is that making an "add-on" or a "second" sale a part of your efforts is one of the best things you can do for your business.

And it is a fairly easy and cost-effective way to increase your volume.

### WHAT'S THE ATTRACTION?

Understanding why second sales offer such a great opportunity requires only a little insight into the alternative.

Generating new customers is an important part of any florist's business. But it isn't easy under the best of circumstances.

To attract new customers, it's up to you to bring them in.

This is no simple task. Where do the customers come from? How do you reach them? What marketing vehicles and strategies should you use? How much can your shop afford to spend on advertising?

Getting existing customers to buy more is different. You don't have to search for them. They already are aware of your shop. You know who they are and how to reach them. That's a big plus. It makes your job that much easier.

### A MATTER OF PERSPECTIVE

But can a few extra dollars spent by existing customers really be important enough to make an impact?

Absolutely. Looking at a few numbers will prove the point.

Suppose your shop does \$375,000 a year on 9,375 individual transactions. That means your average sale is \$40.

A serious add-on sale effort could increase that average. Not much, admittedly. Just a little. You're not going to transform many \$40 sales into \$60 sales. On the other hand, that's not the idea.

Maybe loose-flower buyers could be convinced to buy some baby's breath. Or plants that are to be given as gifts could be tied with a ribbon and bow for a small additional charge. Perhaps a greeting card could enhance the sentiment.

On a per-transaction basis, the added price is modest. Most customers will be glad to see how a little more can make a good product an exceptional one.

For the type of minor add-ons we are talking about, assume an average increase of \$4 per sale. A small amount from the customer's perspective. But with 9,375 sales, the second sales mean a total of \$37,500 in extra business. Or 10% of the shop's total volume before the add-ons.

That turns out to be a pretty hefty sum.

### EASY AS PIE

The extra revenue looks all the more important when you consider what it costs you.

In two words: not much.

Remember, the customer is already in the store, on your website or on the phone. You don't have to attract him/her. It doesn't cost anything for your salesperson to suggest adding an extra enhancement to an item the customer likes.

Essentially all your costs for second sales will be direct product costs. Maybe a little labor if the second item is something that must be added to an arrangement.

The key is that these extra sales require absolutely no extra advertising costs. Taken together, they mean a great return for minimal effort and expense.

### WAIT A MINUTE

Does all of this sound too good to be true?

In some florists' minds, it does. The idea of "talking customers into buying something" just doesn't sit well. It seems objectionable. It doesn't fit with the kind of relationship they want to have with their customers.

The florists who don't want to be pushy are absolutely right. They have a valid concern. One that needs to be addressed.

It is possible to handle second sales poorly.

An overbearing salesperson can alienate customers. The amount of business that might be gained could be offset by what would be lost from rightly offended customers.

There is also a more subtle danger. If add-ons are pushed too strongly, you risk sending the wrong message to customers. Consider this salesperson's comment:

*"Mrs. Johnson, that fern won't look nice enough for a present unless you add some decorative ribbon. It would be just a few dollars extra."*

Do you see the problem? The salesperson has in one comment ridiculed both the customer's judgment and the shop's merchandise. A better approach might be the following:

*"That's a beautiful plant, great for a gift. Would you like to dress it up a bit with a ribbon and bow since it's a present? It's just a little extra."*

**The advantage that walk-ins have over phone sales is the fact that the customer can actually see the items.**

This second approach avoids belittling both your merchandise and the customer's judgment. The salesperson has affirmed the customer's choice, praised the store's merchandise and simply suggested an enhancement.

The difference, though subtle, is very significant.

#### ADD-ON SALES MUST BE VALID

Truth is, there is only one type of add-on sale any florist should pursue. An add-on sale should always give good value and enhance the customer's purchase. If a possible second sale item doesn't meet both of these criteria, forget it. You have to serve your customers at the same time you're trying to increase sales.

The good news is that opportunities for positive add-on sales arise all the time. In ways that even exceptionally cautious florists can appreciate.

Shops that sell high volumes of both loose and arranged flowers know this. In these shops, loose flowers can be substantially less expensive than arranged flowers. Customers are able to

buy the basic product: economical cut flowers. In addition, they are given the opportunity to get something more: beautiful arrangements.

In this kind of a pricing system, the labor and additional materials that go into producing an arrangement are really add-ons.

Other add-on opportunities can emerge when customers are asked a few friendly questions:

*"Would you like some baby's breath with those?"*

An inexpensive addition that can make a few stems more attractive for either personal use or as a gift. Many customers will appreciate the suggestion.

*"Are these for yourself or a gift?"*

This question can help in two ways. It may reveal an occasion-oriented purchase for which additional items or enhancements would be helpful. Or it may identify self-users who will be good multiple-purchase customers and should be courted.

*"Would you like these delivered?"*

Delivery is the one service that is most often desired by a retail florist customer. It and design services set a florist apart from grocery stores or big-box outlets.

#### PHONE, WEB OR WALK-IN SALES

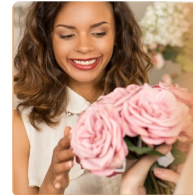
Phone, online and walk-in customers are all appropriate for add-on sales.

At first glance, phone sales might seem to be the easiest source of second sales.

Customers who call a florist usually want and expect help in the choice of an appropriate item. The florist can as-

sist customers in visualizing different products and choices. By suggesting a range of items and accessories that can make their purchases something special, you'll be doing them a favor.

Website customers are somewhat similar. Who hasn't seen "Customers who bought this item also liked these items" or the equivalent on many sales-oriented websites?



**Essentially all your costs for second sales will be direct product costs.**

The advantage that walk-ins have over phone sales is the fact that the customers can actually see the items. Letting customers see how an inexpensive extra can dramatically enhance the presentation of a chosen product often helps sway the decision to purchase.

#### ADD-ONS CAN BECOME FULL SALES

A well-timed comment can do more than improve a sale. It can actually lead to another sale later on.

Anyone making a purchase up to a month before a holiday should be reminded of the holiday. For example: *"Remember, Thanksgiving is coming. We'd be delighted to help you with a floral gift or centerpiece."*

You might get the Thanksgiving order on the spot. If not, you will have planted a strong suggestion that the customer should remember to purchase a gift from your shop soon. Before the big day. 🌸

## An Example: Convenience Stores

Convenience stores thrive by serving the customers' needs. You can get a free education in the art of add-on sales by merely visiting a convenience store.

Browse around the aisles, but keep your ears open to how cashiers interact with the customers. Notice they greet almost every customer when they come in.

It's hard for anyone to buy something without the cashier making a suggestion for something else. You can't get out the door without a friendly suggestion or reminder of an extra purchase you might want to make.

As the customer leaves, you will usually hear something like, "Come back soon." Beginning-to-end customer contact.

That's exactly how you should treat your customers to promote add-on sales opportunities.







# Paying for Layoffs

**I**t happens all the time. A retail florist decides to let an employee go. The action might be due to poor performance or theft. Or it might just be that the shop's sales are down. The employee did a good job, but payroll needs to be reduced.

The employee leaves. However, a few weeks later, the owner gets a notice that the employee has filed for unemployment benefits.

The florist knows his/her state unemployment insurance expense is about to go up. Probably for several years.

## LEGITIMATE OR NOT?

Every year, workers who, through no fault of their own, are between jobs find unemployment insurance a real godsend.

The checks from the state can tide them over until they once again find work.

At the same time, the system is ripe for fraud. Not all job losses are supposed to lead to unemployment compensation. When fraudulent claims are filed, taxpayers suffer. So does the employer against whom the claim is made.

The danger is particularly great for small business owners. Unemployment insurance premiums are "experience based." Companies with few claims pay fairly low premiums. Those with higher claims pay higher (often substantially higher) premiums.

Thus, it's in your best interest to make sure no former employee slips through with an unwarranted claim.

## WHAT TO DO?

Which claims are proper? Which aren't?

While the nuances vary a bit from state to state, the basic rules are the same. Employees who leave voluntarily are not entitled to unemployment benefits. Nor are those terminated because of theft, excessive absenteeism and similar behavior-based causes.

Consequently, employers have the right to challenge any claims they feel are not justified.

If slow business forced a layoff, the claim is entirely valid. Don't fight it. Be glad you live under a system that protects workers against undue hardship while they search for suitable employment.

On the other hand, if an employee quits or was fired because of unacceptable behavior, you should file a challenge.

## KEEP GOOD RECORDS

Be forewarned. If you don't have good records to document your protest, you will lose.

**If you don't have good records to document your protest, you will lose.**

The law favors the employee. Workers arguably are in a less powerful position than employers. So, an employee's claim is considered valid until proven otherwise.

It's our system of justice—much like "innocent until proven guilty" in a criminal justice context.

The burden of proof is on the employer to convincingly demonstrate that the claim is unjustified. Proof consists of hard evidence. Not just the employer's word.

You should document inappropriate behavior as it occurs in anticipation of a claim down the road. A few steps now will protect you later.

When an employee leaves voluntarily, have him/her submit his/her resignation in writing. This will prevent a future claim that the employee was terminated.

In fact, keep good records of the reasons for all terminations. If an employee received several warnings and finally had to be let go, each stage in the disciplinary process should be documented. Keep these records long after the employee's departure.

Don't be afraid to challenge any unjustified claims. It's your right. It's even your responsibility.

The claims notice you receive will give a time frame within which you must respond. Gather your facts, fill out the state's form and don't miss the deadline.

If you don't dispute an unwarranted claim, your unemployment insurance premiums will take a big jump the following year and stay high for some years to come.

For small businesses, even a single unemployment claim can mean a severalfold increase in premiums.

Let the system work. Let it benefit those intended. But don't let it work against you. 🌸

# Help Your Accountant: *You're Not a Retailer*

**A**t least, not in the sense that most accountants may think about retailers.

It's not uncommon for accountants to put the commissions on incoming wire orders into the shop's cost of goods sold (COGS).

This sounds logical until you realize the difference between retail florists and other retailers.

## A LIGHT MANUFACTURER

Most retailers buy finished goods. Then, they store these finished good on the shelf or in the backroom until they sell them.

A retail florist, on the other hand, buys raw products to manufacture (design) the final product. The florist then sells that manufactured product to the customer.

To be profitable, retail florists must control how much product goes into each arrangement. That means controlling COGS. You can't add extra items into your COGS account. If you do, your financial statements will be dangerously misleading.

## SEE THE DIFFERENCE

Take a look at the example in the table.

This florist's pricing formula yields a 33% COGS for arrangements. In other words, if the designers follow the pricing formula exactly and control shrink effectively, all arrangements should have a total COGS of 33%.

The shop followed its pricing policy for both regular sales and incoming wires. In each case, exactly 33% went to product cost.

Enter the extra expense associated with incoming wire orders. The shop followed the accountant's recommendations and also placed the 27% commission expense into COGS. As a result, the COGS for incoming wires is 60%.

**Example of COGS Confusion When Wires-in Commission Is Treated as Part of COGS:**

Item	Regular Arrangement Sales	%	Wires In	%	Total	%
<b>Sales</b>	\$10,000	100%	\$5,000	100%	\$15,000	100%
<b>COGS Product</b>	3,333	33	1,667	33	5,000	33
<b>Wires-in Commission</b>	—	—	1,350	27	1,350	9
<b>Total COGS</b>	<b>\$ 3,333</b>	<b>33%</b>	<b>\$3,017</b>	<b>60%</b>	<b>\$6,350</b>	<b>42%</b>

Added together, the total COGS for all sales is **42%**. That's way too high and suggests the shop is out of control.

Actually, the shop is doing just fine. The designers were right on target with their COGS.

Knowing actual product costs is essential if you want to follow your pricing formula and keep from stuffing too many flowers in your arrangements.

Treating incoming wire commissions as COGS creates a distortion. One that will prevent you from seeing how you're really doing.

## DO IT RIGHT

Wires-in commissions should either be recorded as an expense or (better

**Treating incoming wire commissions as COGS creates a distortion.**

still) listed as a contra account in non-product sales, which will lower your total sales to reflect the revenue you actually receive.

Ring up each incoming wire in the proper sales category (most likely, arrangements) at 100%. Then use your POS or manually enter minus 27% of the sale to the wires-in commission account. (The offsetting entries go against the wires receivable account.)

Arrangement sales and your COGS for arrangements will be accurate. 🌱

## FAMOUS FINANCIAL WORDS

*"In business, the competition will bite you if you keep running; if you stand still, they will swallow you." — William S. Knudsen*

*"A rich man is one who isn't afraid to make the salesperson show him something cheaper." — Jack Benny*

*"The human species, according to the best theory I can form of it, is composed of two distinct races, the men who borrow and the men who lend." — Charles Lamb*

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3737 NW 34TH ST  
OKLAHOMA CITY, OK 73112

# INQUIRIES & ANSWERS Letters



## HONORING EXPIRED COUPONS

*"The other day, a customer bought an arrangement in the shop. As part of the payment, she handed me an expired Mother's Day coupon. I accepted it. Was I a fool?"*

**Not at all.**

In fact, that was really the smart thing to do.

The coupon accomplished its purpose. It brought in a customer.

All of your coupons should have expiration dates. Rarely will the date be violated. But when it is, don't think twice. Accept the coupon gladly and thank the customers for coming in. Then, be sure to ask if there are any other floral needs you can take care of while they are in the shop. An extra sale would make the coupon all the more valuable to you.

You could even go a step further. Have you ever accepted a competitor's coupon? Again, it's often the smart thing to do. Take care of the customer. Some businesses even advertise that they honor competitors' coupons and/or advertised specials. Doing so keeps your customers from going elsewhere. Often, it also will bring some of your competitors' customers to your shop.

## INVENTORYING FRESH FLOWERS

*"To get more accurate financial statements, we are switching to an accrual method of accounting. Should we now set up an inventory account for fresh flowers?"*

**No.**

Fresh flowers are perishable. They won't be around long. Inventory accounts are used for non-perishable items. Things you can put on a shelf. Things that can collect dust. That's not a fresh flower.

The typical flower shop turns its fresh flowers more than 100 times per year. That's an average hold time of less than four days. So, almost all of the fresh flowers you buy this month will be used this month.

In most cases, the amount carried over will be about the same every month. Even the big holidays won't cause a problem. Valentine's flowers are gone by the end of February. The same is true for Administrative Professionals' Day, Mother's Day and Christmas. If for some reason you have an exception, treat it as that ... an exception.

Expense all flower purchases into the current month's COGS.

## NORMS

FRESH FLOWERS & GREENS



**T**his is the target for cost of goods sold (COGS) for fresh flowers and greens in arrangements.

In the past, *Floral Finance* has said that the do-not-exceed target on COGS for arrangements is 33% of arrangement sales. That was made up of 3% for supplies, 5% for the container and 25% for the fresh product.

Over the years, we have come to realize that the supplies and containers are not skewing the figure. The fresh product cost is the issue. So, we have separated the arrangement COGS targets into fresh product and supplies/containers.

Keep your fresh product purchases at or below 25% of forecasted fresh product sales.

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Please address your inquiries  
to the Editors of *Floral Finance*®,  
Teleflora LLC, 3737 NW 34th St.,  
Oklahoma City, OK 73112.