BANKRUPTCY
A BLESSING OR A CURSE?
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FINANCIAL INFORMATION, EDUCATION AND CONTROL FOR THE RETAIL FLORIST

Floral Finance®

teleflora.

MARCH 2020
VOLUME 39, ISSUE 3

INSIDE THIS ISSUE

QuickTakes

Ideas You Can Put to Work Immediately

1 Make Ethical Choices

Life will be more rewarding and less stressful if you live ethically. One way to stay on track is to run important decisions through these questions: Is it beneficial to all? Will it build up others? Is it constructive? Is it legal? Will I be willing to share my decision openly?

2 Surprise Your Employees

Your work environment ought to be fun. So, do something out of the ordinary. Something your employees are not expecting that will relieve stress, generate laughter and break up the routine.

Take your staff out to lunch. Bring in a massage therapist to give everyone a neck and back massage. Have a contest for the best childhood picture. Think of other creative ideas that fit your team.

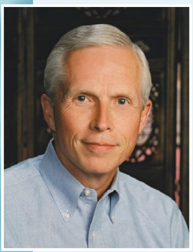
3 Do a Favor for a Stranger

Why not be the answer to someone's need? Help somebody with a bulky package. Offer directions. Open a door. Motion a pedestrian to cross an intersection instead of speeding through in your car.

By helping others, you not only ease their burden but you also perk up your world. The warm feeling you get from helping will linger. Others will pick up on your mood. The warmth will spread.

FROM THE PUBLISHERS
OF FLORAL FINANCE®

WHAT DO YOU REMEMBER?



Quickly, see if you can answer the following questions:

1. Who was the 2018 Heisman trophy winner?
2. Who was the third man to step foot on the moon?
3. Who was the U.S. president during the Roaring '20s?

Most people can't answer even one of these questions. The further in the past the event, the harder it is to remember.

If you've visited Washington, D.C., or other great cities around the world, you probably have seen statues of historically important people. To be worthy of a statue, these individuals accomplished incredible things.

Yet, how often were you without a clue as to who the person in bronze or marble was or what he or she did to earn a statue?

Now, answer this question: Who was the most important teacher in your life?

We all have an answer to that. And it's not just a name. We can see these people in our minds. We can sense and appreciate their personalities. We remember what they taught us and why it mattered.

Fame is fleeting. What's really important are the relationships you build and the impact you have on the people in your life. Especially your family.

As you live your life each day, don't overlook these most important relationships. They are truly why you do what you do.

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DISSATISFIED CUSTOMERS:

How Much Do They Cost You?

You've probably seen the scenario many times. You fill an order only to discover that the customer is unhappy. It can happen for many reasons. Often, the product is the issue. It wasn't what the customer expected because of an overzealous salesperson who "oversold" or an unavoidable substitution. Nothing wrong with the arrangement itself. But the customer didn't receive the quality or type of flowers he or she expected.

Other times, the disappointment is because of the way the customer was treated. A salesperson didn't provide enough attention or was rude. Inexcusable, but it does happen.

Or perhaps the order wasn't delivered at all. It was lost in the paper shuffle. Again, inexcusable, but it does happen occasionally.

WHAT'S AT STAKE

If you have to replace the arrangement, the hard costs are significant: flowers, container, design wages and delivery, plus your time interacting with the customer.

All of this easily can add up to $30, $40 or more. However, the hard costs are only the beginning.

Depending on the circumstances, you might lose the customer altogether. If she bought several times a year, that could add up to hundreds of dollars of lost revenue. If she was so disappointed that you lose future funeral or wedding sales, you could lose thousands of dollars.

But even that's not all. Disappointed customers normally tell an average of 10 friends. If they post the bad experience on social media, that number can go into the hundreds or thousands.

A True Story

He was a burly truck driver who had never given his wife flowers.

However, Valentine's Day was their 14th anniversary. He decided to do something special. He thought of flowers. Fourteen flowers on Feb. 14 seemed like an appropriate way to make a splash.

He called Beneva Flowers in Sarasota, Florida, and ordered 14 roses to be delivered just before the couple was to leave for a special anniversary dinner.

Disappointing a customer can be very expensive.

WHAT TO DO

All good retailers know they should make every effort to please disgruntled customers. Handled properly, an unhappy customer can become a solid, loyal customer.

However, the transformation won't happen without effort. You need to do more than what a disappointed customer expects. It's a much greater challenge than winning a new customer.

The new customer starts from a neutral position. Unhappy customers are several points down from neutral. They are in negative territory.

Consequently, you must go the extra mile. One of the best techniques is to ask the customer what would make them happy. Then, deliver above and beyond their request. If you do, they probably will walk away with a positive feeling toward you and your shop.

MAKE IT POLICY

Let your staff know that your shop's goal is always to please the customer. Whenever you fail, they should do whatever it takes to make the customer happy.

This truck driver had a creative flair!

But the unthinkable happened. The order was lost. It was never made. It was not delivered.

On the big night, the truck driver told his wife they needed to wait before leaving for dinner because something special was going to arrive. They waited and waited and waited. The flowers never came. They also missed their dinner reservation.

The next morning, he showed up in the shop, saying "I want to talk only to the owner. Get him out here!" The employee working the front counter got enough facts so that owner Art Conforti realized he was about to meet one very angry customer.

The truck driver laid into Art in no uncertain terms, using "colorful" language to describe the situation. He also called his wife so she could explain to Art, also in colorful language, how upset she was.

Art knew no explanation would satisfy this couple. He took the direct and truthful approach: "We blew it. It was totally Beneva's fault. I'm so sorry."

Of course, Art refunded the money. Then, he asked the customer what he could do.

The customer said it was beyond repair. He was going to take his wife to a special dinner in Orlando to try to make up for the mess Beneva's neglect had caused.

Before the customer left the shop, Art managed to find out the name of the restaurant and the day the dinner was planned. Art decided to do something to knock the socks off this unhappy customer.

He ordered a stunning arrangement from an Orlando florist to be delivered to the restaurant. He wanted it to be big and showy.

When the flowers arrived, the restaurant's employees thought someone really special must be having dinner that night. From the moment the couple walked in, they were treated like stars.

The husband was so touched by Art's efforts that he teared up.

The next day, he was back at Beneva and again wanted to see the owner. However, this time it was to express his gratitude.

The very unhappy customer had been won over. The result?

Every holiday since then, this truck driver has ordered flowers from Beneva. Each order is about $75. He always wants to talk to Art and give him the order.

How much is good customer service worth? In this case, a lot. Art won a customer for life. And who knows how many of the couple's friends now come to Beneva because of the story they have heard.

Handling unhappy customers may seem like a hard and thankless job. In reality, it can put dollars in your cash register for years to come.

BANKRUPTCY

A BLESSING OR A CURSE?

When the economy stumbles (as it did in 2008 and could do in the future), many businesses and individuals find themselves in difficult financial circumstances. So much so that bankruptcy becomes an option.

Why does this happen? Whose fault is it? Was it a good idea in the first place? How do you handle it?

WHAT HAPPENS?

Sometimes, business failure is the owner's fault. Excessive debt. Poor financial controls. Bad management.

However, the problems are often no one's "fault." A flower shop can become a victim of much larger circumstances.

Maybe a recession hits a particular locale hard. One major company after another announces layoffs. Other small businesses go down. A shop that has been surviving for years with a modest profit suddenly finds itself in trouble. Cash flow gets tight, bills are hard to pay and the shop loses more ground with each passing day.

In any serious recession (or, worse, a depression), businesses find themselves unable to meet their obligations as sales fall. Most U.S. and Canadian florists experienced a sales decline after the 2007 market peak.

Canadians: This article is written from the perspective of U.S. law. If you are in extreme financial difficulty, be sure to check with a local attorney to determine the Canadian rules and regulations on bankruptcy.

The situation is compounded when customers who owe the shop money get into financial trouble and file for bankruptcy, leaving the shop with little hope of ever seeing its money.

Regardless of the specifics of your situation, you should know the basics of bankruptcy.

Individuals and businesses are **FURTHER IN DEBT** today than at any other time in the last 200 years.

DEFINING IT

Bankruptcy is a legal maneuver that puts the court between an individual or business and the creditors.

A decision to file for bankruptcy does not always mean the person (or business) is "broke." Technically, it just means the debtor's bills cannot be paid as they become due. The pressure from creditors has become too much to bear.

You'll often see corporations with millions (or billions) of dollars of assets file for bankruptcy. As big as their assets may be, they have even bigger liabilities.

In both personal and corporate bankruptcies, debt is the usual culprit. Individuals and businesses are further in debt today than at any other time in the last 200 years. Conditions are ripe for more bankruptcies when the next downturn occurs.

Bankruptcy normally discharges some or all of the debtor's debts. The individual or business is no longer obligated to pay.

At first blush, this seems unfair. Didn't the creditors loan money or extend credit in good faith? Shouldn't the individual or business have to repay those amounts?

SOME PERSPECTIVE

A little historical background may help explain the rationale behind bankruptcy proceedings.

England of the 1770s had harsh bankruptcy laws. A creditor could take essentially everything a debtor owned to satisfy a debt. When debts couldn't be satisfied, debtors were thrown into debtors' prisons. This did little to help debtors get back on their feet and certainly didn't help get the debts paid.

However, the concept of debt forgiveness goes back as far as borrowing and lending money. The Old Testament tells of forgiving unpaid debts after seven years.

From its inception, the United States took a less harsh approach than England. Bankruptcy protection was built into the Constitution. There were to be no debtors' prisons in the new country.

Debts were to be forgiven and the debtor allowed to keep enough assets to ensure a fresh start. The idea was to help the person become a productive member of society again rather than a burden on society.

THE FINAL CHOICE

Bankruptcy is a drastic measure to deal with impossible circumstances. It recognizes that people occasionally are unable to uphold certain agreements or obligations.

It allows the individual or business to have a fresh start. It prevents time-consuming, wasteful and unproductive lawsuits.

Once in a while, the bankruptcy laws are used unfairly against creditors. However, for the most part, those who file for bankruptcy are merely seeking appropriate relief from unmanageable circumstances.

BANKRUPTCY VARIATIONS

Not all bankruptcies are alike.

In a straight bankruptcy, known as a Chapter 7 proceeding, the debtor's assets (with the exception of certain exempt property) are liquidated. The proceeds are divided among the creditors.

There's also another type of proceeding: reorganization. Chapter 11 is for corporations. Chapter 12 is for farmers. Chapter 13 is for individuals.

When a corporation or individual files for reorganization, creditors are not allowed to proceed with other collection activities. A reorganization plan is filed, discussed, modified (if necessary) and ultimately agreed upon by the parties. Once the plan is approved, everyone must abide buy it.

Under a reorganization plan, new payment schedules are created. Often, portions of the debts owed are forgiven.

CREDITOR PROTECTIONS

The bankruptcy court's job is to protect both parties: the debtor and the creditor.

Rules govern what the various parties can and can't do. No single creditor is allowed an unfair advantage over the others.

For example, it would be unfair for a debtor to use all his money to pay off one favored creditor just before filing for bankruptcy. If a debtor tries that, the court will demand the money back and divide it more equitably among all the creditors.

While fairness is a requirement in the bankruptcy proceeding, strict equality among the creditors is not. Certain creditors deserve and are given preference. These "secured" creditors are parties who have loaned money against specific assets of the debtor. Perhaps a mortgage on a piece of real estate or a security interest in a car.

When a secured asset is sold by the court, the proceeds first go to pay off the secured creditor. Anything that is left goes into the general pool to pay other unsecured creditors.

Unpaid taxes also are given a high priority. Attorney fees and court costs come next. The order for paying each debt is determined by the bankruptcy code.

For example, if one of your customers files for bankruptcy, they are required to supply the court with a complete list of every party to whom they owe money. The court will then notify you of the proceeding. You will have to file in writing the nature and amount of your claim.

The court has a form for this step called a "proof of claim." If any money is left for your class of creditors, the court will see that you get your share.

The best way to ensure payment on your house accounts is to give credit only to customers who deserve it. Good credit policies are a requirement. Check credit references. Get credit reports on large accounts. Do your homework.

However, even shops with good credit policies occasionally will have a customer who files for bankruptcy.

THE BIG PICTURE

Risk and reward are a part of the American lifestyle. We are a nation of risk-takers.

When a risk-taker succeeds, the reward is handsome. When failure comes, the losses can be just as large.

It's bankruptcy's promise of a fresh start that keeps people out there, taking qualified risks.

If it weren't for bankruptcy laws, America would be much poorer. We would lose adventuresome entrepreneurs. The risks would be too great.

DEBTOR VIEW

No one wants to go bankrupt. It is a sad ending to what probably started as an exciting dream. Still, it is better to face reality and get started with the rest of your life than try to hang on in an impossible situation.

Recognizing when it is time to quit fighting is not always easy. Americans love to believe that if they try just a little harder, they can make it. Unfortunately, that is not always the case. Giving up at the right time will close one chapter, but it also will usher in a new one.

THE COST

A debtor emerges from a bankruptcy proceeding with his debts forgiven. But to get there, the debtor's property will have to be sold and the cash distributed.

If you're in this position, you can keep only the basic "exempt" property allowed by your state. No more. You won't be left with any investment accounts or property outside equity in your home and a few other small possessions.

This is only right.

You did agree to pay the creditors. It is only fair that valuable assets in your possession be sold and the money given to at least partially satisfy your debts.

When a small business is incorporated, bankruptcy can be even a little more complicated. Theoretically, if the corporation incurred all the debts, the business alone could file for bankruptcy. Assuming the owner did not file for personal bankruptcy, all his or her personal assets would be safe.

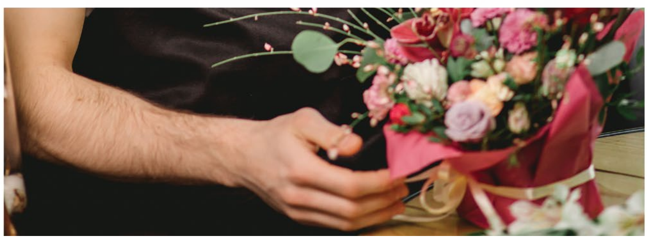
In reality, however, institutions that loan money to a small business often require a personal guarantee from the owner. More than likely, the owner will be personally responsible for at least some of the corporate debts.

If you personally guarantee corporate debts, bankrupting the business won't relieve you of the liability to pay. You either will have to meet the obligations yourself or go through individual bankruptcy.

Bankruptcy is not a pleasant experience. However, it can be a whole lot better than facing a string of impossible lawsuits and judgments.

HOLDING FIRM

Who's in Charge?



It happens all the time. What you asked your employees to do is gradually set aside. Before long, what you want is replaced by what they prefer to do.

You have lost—or, rather, given up—control.

PARENTING ANALOGY

Anyone with kids can relate. You lay down the law: "Your room needs to be picked up every night before you go to bed."

The first night or two, everything is neat as can be. But the kids don't want to pick up their room. Soon, they are leaving one or two items out. Compared to the way the room used to look, things are pretty clean. So, you don't say anything.

After a few weeks, however, the room is again a mess. Everything is back on the floor.

As a parent, you may go through this cycle many times. After a while, you get tired and decide, "This is not the battle to fight." You quit. Your authority gives way to your kids' persistent non-compliance.

The same pattern can happen with employees. You set out a course of action. Slowly, things shift back to the way they were.

DIFFERENT WAY

Think about a different scenario. Imagine that you decide to open a new flower shop. You know that for the shop to be profitable, the designers will need to count everything that goes into every arrangement.

You select your location and determine your opening day. Then you advertise for designers.

In each applicant's interview, you stress that they will have to write down everything they put into every arrangement. No exceptions.

Predictably, every applicant replies, "That's no problem. I can do that."

And it's true. They can and probably will do that.

Why, then, is it so difficult to get current employees to do the same?

INERTIA

The answer is that the applicants know they will have to comply with your procedures to get and keep the job. The requirements are agreed upon.

People who are already on the payroll may be used to doing things their way. They don't want to change.

The first business management principle to remember is that you are in charge.

Physics calls this "inertia." An object in motion tends to stay in motion. An object at rest tends to stay at rest.

Human beings are creatures of habit. We are not motivated to change unless there is a compelling reason for us to do so. Making more money for a business someone else owns is usually not one of those reasons.

AVOID IT

Ultimately, however, the choice is yours. As the owner, you must choose to exercise your authority. After all, you own the business. You should be in charge.

When employees are not following an important policy or procedure, don't give in. Make sure everyone knows you are serious and that you expect compliance.

It may take a little time, but in most cases employees will get the message. If not, you will have to take more assertive actions.

Ultimately, you may have to fire an employee who chooses not to comply with your rules. Once you do that, the rest of the employees will know you are serious.

Sometimes you have to get your employees' attention to help them pay attention.

THE REWARD

Most people select a profession they will enjoy. Something that fits their skills, aptitudes and interests. Retail florists are no exception.

However, in the end, a business has to make a profit.

Profitability doesn't just happen. You have to work at it. Your natural creativity and love of flowers may have brought you into this industry. But it takes strong business management skills to keep things going.

And the first business management principle to remember is that you are in charge.

Fixing a Credit Report

Your credit report is one item you must fully understand. You need all the details on anything in there that could be damaging when you ask a lender or a merchant for credit.

HOW WILL YOU KNOW?

How will you know if your credit report includes an error or other damaging information?

By law, any merchant or institution that denies you credit because of information in your credit report has to tell you so. You then have the right to get a free copy of the written report from the credit bureau. All you have to do is request it within 90 days.

Some credit card companies offer their account holders a free copy of their report every so often.

You also can periodically ask one of the national credit bureaus for a copy of your report. You have the right to a free credit report every 12 months. More often will cost you $10–$15. There are three national credit-reporting agencies in the United States and Canada:

- Transunion
- Experian
- Equifax

Once you have the report, check to make sure all the information is accurate. If there are mistakes or you would like to add your own explanations, the law is on your side.

YOUR RIGHTS

When you alert the credit bureau to incorrect information in your file, a couple of things may happen.

The bureau may be able to correct the error itself. A phone call to the merchant may be all it takes. The merchant may see it made a mistake about your history. Or perhaps the credit bureau punched in the wrong numbers. In either case, the necessary correction is easy.

Unfortunately, other cases are more difficult. The problem may not be a clerical error. The merchant that filed the report may see the facts differently than you do.

That puts the credit bureau in an awkward position. Who does it believe: you or the reporting company? Not surprisingly, in a dispute, the credit bureau usually will choose to keep the damaging report in your file.

Fortunately, consumer protection laws give you helpful rights in this kind of situation. You have the right to insert an explanation on any item with which you disagree. Your own version of the story. In your own words.

The credit bureau must include your explanation in your report. That should cushion the blow and give a clearer picture to anyone who is considering granting you credit.

If your explanation is reasonable, your credit chances shouldn't be damaged much, if at all.

IGNORANCE IS NOT BLISS

The more you know about credit in general—and your credit in particular—the better off you will be.

FAMOUS FINANCIAL WORDS

"Business without profit is not business any more than a pickle is a candy."—Charles F. Abbott

"The conventional definition of management is getting work done through people, but real management is developing people through work."—Agha Hasan Abedi

"When you make the mistake of adding the date to the right side of the accounting statement, you must add it to the left side too."—Accountant's Maxim (anonymous)

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INQUIRIES & ANSWERS

Letters

RISK VS. RETURN

"The other day, I overheard a gentleman talking about 'deals he made' and the 'risk/return rule.' Please enlighten me. What is the risk/return rule?"

Return is directly related to risk.

That's the rule. What it means is that the greater the potential return on an investment, the greater the risk.

For example, if you put money in a savings account at an FDIC-insured bank, you'll receive a modest rate of interest. However, your money is very safe. It's backed by the government, so the odds of losing anything are almost nil.

At the other extreme is the stock market. When times are good, people expect higher returns on stock market investments. In the late '90s, a 20% annual return was common. In 2019, many investors did even better than that.

But this isn't always the case. Stocks can be a wild ride. A significant amount of risk goes along with the potential for high return. You can lose money on your investment—a lot of money. High return. High risk.

DEDUCTIONS VS. CREDITS

"What is the difference between a tax deduction and a tax credit?"

The credit is much better.

A tax deduction is taken out of your income before calculating your income tax. Suppose you are paying a 20% income tax rate. The tax on $10,000 of income would be $2,000. If you receive a $1,000 deduction, your taxable income would be $9,000 and your tax $1,800. The $1,000 deduction would save you $200.

A tax credit, on the other hand, is taken from your tax bill. For example, a $1,000 tax credit would reduce your tax bill by the full $1,000. In our example, your $2,000 tax bill now would be only $1,000.

Tax credits save you the full amount of the credit. Deductions only save you a portion, based on your tax rate.

NORMS

DESIGNER WAGES

This is the target percentage of design sales that a designer's wages should represent.

There are a couple of ways to calculate what designers should be paid. Probably the best is to look at their productivity: How much can you expect a designer to produce in a given hour of design time?

However, the 10% rule of thumb is a pretty good approach—and quicker.

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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