



Estate Planning
& Retail Florists page 4

FINANCIAL INFORMATION,
EDUCATION AND CONTROL
FOR THE RETAIL FLORIST

Floral Finance®

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QuickTakes

**Ideas You Can Put
to Work Immediately**

1 Do, Don't Tell

No matter how well you communicate what you want, the job may not get done until you jump in and show your employees how to do it. What you do is more important than what you say.

"Setting an example is not the main means of influencing another, it is the only means."—Albert Einstein

2 Continuing Education

Attending classes—whether online or in person—on design techniques and shop management provides several positive outcomes. You'll increase your knowledge and your skills. You'll be more alert and engaged in your business' success.

Also important is getting inspired by your peers. When interacting via chat, Q&A or conversations, you will pick up valuable tips and ideas you may never have thought of otherwise.

3 Education Funds

It may be difficult to come up with \$500 or \$1,000 when an attractive class or conference comes along. So, plan ahead.

Open a savings account. Once a month, deposit \$100 in the account for "education expense." It's easier to find an extra \$100 each month than a much larger amount all at once.



FROM THE PUBLISHERS
OF FLORAL FINANCE®

THE RIGHT DESTINATION



A motorist was driving through dense fog. He could barely see if his wheels were on the road, much less whether he was following the correct route.

After some time

passed, he came upon a set of bright taillights and decided to follow behind that car. Why not let the other driver squint for a while?

Suddenly, the driver of the car in front stopped and turned off his lights. Irritated, the motorist behind rolled down his window and yelled, "Why did you stop in the middle of the road?"

The answer came back: "I didn't. I'm in my driveway."

Running a small business can be like this story. It often is difficult to see where you are going. It may seem easier just to follow someone else.

However, that can be dangerous. You will end up where they want to go. Unfortunately, that may not be where you want to go.

For your shop—and you—to be successful, you need to develop your own strategy.

What do you want out of your business? What are your goals?

Do you want to grow? How much? How soon? Or do you want to maintain your position and serve your present customers with high-quality products and excellent service?

The same applies to life. What do you want to achieve? Owning your own home? Gaining a certification?

It's up to you. Chart your own course. Do your own driving. Don't just follow someone else's lead.

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Lessons
of
Love

Non-Floral Products



Most retail florists want to increase sales. So, they plan promotions and advertising campaigns throughout the year to attract more customers.

In the push to add dollars to the top line, one common approach is to offer greater product variety. Specifically, by adding more non-floral products.

It makes sense. You already have customers coming in to buy flowers. Interesting non-floral items might add an additional item or two to the sales ticket.

Thus begins the shop's journey into the land of non-floral product sales.

It's a journey that doesn't always bring the anticipated results.

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VARIOUS EXPERIENCES

Some florists find success with their first couple of non-floral products. So, they continue to add more and more items.

The product list could include candles, cards, giftware, plush, gourmet cooking accessories, table decorations, garden center items and even wedding gowns to mention a short list.

THE BASICS

To develop a sound non-floral product strategy, you must get acquainted with the basic issues, terms and considerations.

Gross Margin

If a product's normal markup is 2x, you'll have product costs of 50%

and a gross margin (what's left from the sales price after product costs are subtracted) of 50%.

You probably should avoid any product with a gross margin of less than 50%.

Many manufacturers price their product in terms of its discount off retail. For example, "50% off retail" means you will pay 50% off the product's retail price.

Some manufacturers give a discount for prompt payment or offer special prices to boost sales.

Example: A manufacturer might offer 50% plus 15%. That doesn't mean 65% off retail ($50 + 15 = 65$). No, you first get 50% off the retail price ($100 - 50 = 50$). Then you get 15% off the 50 that is left ($0.15 \times 50 = 7.5$).

Good for a Flower Shop?



$\times 50 = 7.5$). In other words, you get an additional 7.5% off the retail price. A total of 57.5% ($50 + 7.5 = 57.5$).

That would leave a 42.5% product cost, a 57.5% gross margin and a 2.35× markup. Not bad.

And don't forget to first ask yourself whether you will be able to sell the item in your market at the suggested retail price. To the extent you have to lower the price to sell it, you will have a lower gross margin.

Turns

If a product turns four times, you will have to reorder four times a year to keep up your supply.

Flowers turn every few days—more than 100 times per year. That's good because it means fewer dollars tied up in inventory at any given time for a certain volume of annual sales.

Seven turns per year is much better than four turns per year. Why?

Example: Suppose a product has a 50% gross margin and turns four times a year. If you always bought enough to make \$5,000 of retail sales, you would have \$2,500 tied up in inventory at any given time and \$20,000 of annual

sales. However, if the product turned seven times, you would get \$35,000 in sales while having the same \$2,500 in inventory.

All lines have some items that turn faster than others. The trick is to have a deep inventory of items that turn quickly. Stay light in those that don't.

The only way to know which lines turn quickly and which don't is to try them. Watch your sales patterns and tailor your reorders to match the sales of each item.

Don't order a large quantity of anything up front. It will take some time to learn the line's selling characteristics.

Minimums

What is the minimum initial order amount? The smaller, the better.

What is the minimum reorder? Again, the smaller, the better. If you can place more frequent, smaller reorders, you won't have to tie up a lot of cash in inventory.



Quantity Discounts

This discount is often tied to minimums. The bigger the order, the better the price.

If your shop is moving a lot of a manufacturer's product, you deserve a better price. Make sure you get a healthy discount if you show you can sell the product.

Reorder Time/Availability

How quickly can you get the product once you order it? The quicker, the bet-

ter. This will reduce the possibility of your store being out of stock on a popular item.

Competition

How many of your competitors carry the same product? The fewer, the better. The best situation is if you are the only seller in your local market. Customers will have to come to you for the item.

Competition also will determine what price you can charge. Your pricing will have to be competitive with other local sellers.

Multiple Purposes

Can the product be used for more than one thing? Think about it. A coffee mug can be used to drink and also as a container. Gourmet cookware can be used to cook and also displayed as decoration.

The greater the possible uses, the greater the odds of moving the product quickly.

Add-On Sales

Does the product lend itself to an add-on sale (a sale to someone who is already making a purchase)? If so, that will boost sales.

Repeat Business

People buy cookware only occasionally. They buy greeting cards all the time. The more the product can produce repeat sales, the better it is for you and your business.

Telephone Business

How much of your volume comes in over the phone?

Florists with a high percentage of telephone business aren't typically able to sell many non-floral products. Customers usually need to see a non-floral product on the sales floor or on your website.

Flower shops are among the few remaining retail businesses that can get a high percentage of their sales over the phone. That's because your business is occasion oriented, and the customers want delivery service.

CONCLUSION

Non-floral products can do a lot to enhance your sales. Just be sure you look at any new product in light of the considerations above. When you do, you can make an intelligent decision. 

Estate Planning & Retail florists

**"OLD FLORISTS NEVER DIE ...
THEY JUST MAKE OTHER ARRANGEMENTS."**

It's a cute saying. But the truth is, we all will face death. And that certainty creates the need for estate planning.

Many people think only the wealthy need to bother with estate planning. They don't think they have enough money to worry about.

That's not true.

Bill Gates has an estate. And so do you. It may not be as big or complex as Bill's, but it is just as real.

Your estate is the collection of tangible and intangible property—worldly possessions—accumulated during your lifetime. House, car, insurance, business interests, money, stocks and personal effects, to mention a few of the items you may own.

Have you ever seen a hearse pulling a U-Haul trailer to the cemetery? No, you can't take your possessions with you. Consequently, you should plan how they will be handled and distributed after your death.

SURPRISE! EVERYONE HAS AN ESTATE PLAN

That's right. The question is not whether you have an estate plan; it's who sets up your plan. You or the government?

You see, if you don't create an estate plan, your state will do it for you. When someone dies without a will (it's called dying "intestate"), the state determines who gets every asset that doesn't have a legal beneficiary (like insurance policies).

The bureaucrats won't know what you would have preferred. So, they will go by rules that are the same for everyone. No flexibility at all.

Although states differ slightly on how an intestate decedent's property will pass down, there is a surprising level of agreement.

Generally, if you leave behind a spouse and children, each will get a proportional share of the estate—perhaps one-third or one-half to the spouse and the balance split equally among the children (and any deceased children's descendants).

If you have no children, your parents, if living, would be entitled to share with the surviving spouse.

Brothers, sisters and their descendants come next. Followed by other, more remote relatives.

In some cases, the best the state can find is a "laughing heir." A distant relative who may not have even known the decedent. Someone who feels no loss or sadness—only joy over the unexpected inheritance.

YOUR FINAL RELATIVE

If the state cannot find any of the relatives in the statutory line of succession, it won't try to determine your favorite charities. The state will become the beneficiary.

Remember, the state is simply bringing order to something you left up in the air. Although inheritance laws are reasonable, rarely is the state solution better than choosing for yourself.

BEYOND PROPERTY

Estate plans often are about more than money.

If you have children, guardianship is an issue. Whom do you want to raise your children in case of the untimely death of you and your spouse? That's a decision you don't want the state making for you.

Timing is another consideration. Is a child or young adult ready to responsibly handle an inheritance?

Ready or not, the state will give out the money as soon as the child

becomes of age, which is 18 years old in most states.

You could plan a better way through some sort of a trust for the benefit of the children—one that is administered by a trustee of your choosing.

The trust principal could be maintained for years after a child's 18th birthday to pay for his or her education. Then, the balance could be distributed when the child is mature enough to handle the responsibilities.

THE BASICS

For most people, at least a minimum of estate planning is a good idea.

The fundamental estate planning tool is the last will and testament. The will's essential function is simple. It directs how your property is to be distributed at your death.

True, some assets (such as life insurance) will pass by contract. Others (such as joint tenancies), by operation of law. However, the last will and testament can (and should) provide for all other property over which you have the power of disposition. In simple estates, the will might be the only instrument you need.

WHAT MAKES A WILL?

Each state has its own set of formalities—both procedural and substantive—that must be met before it will recognize the validity of a will.

Procedurally, the document must be witnessed by a certain number of "independent" people (those not involved in the disposition of the property). And it must be signed in the right place.

Substantively, the document must be executed under free will, free from duress or compulsion by some hopeful beneficiary.

You also must have been "of sound mind" at the time you signed the will. This is an interesting one. A sound mind does not mean you are competent for all purposes. You simply must be able to understand the nature and extent of your property and have formulated a coherent plan for the property's disposition.

CAN I DO IT MYSELF?

Only about half of the states allow a handwritten will. And then, only under very limited circumstances. And states

will rarely, if ever, accept an oral will (a deathbed statement) because the possibilities for fraud are immense.

However, you can still do it yourself. You can go online and get samples of written wills that are prepared by attorneys and are acceptable in most states. You simply adapt them to your needs and desires.

WORDS ARE IMPORTANT

The state will want to see clearly operative words of transfer. It's called *dispositive language*. Remember, the will is intended to be the instrument that "transfers" your property.

"It is my desire that my cousin, John, get my piano" means that you hope John gets it.

Better dispositive language would be, "I give my piano to my cousin, John." No ambiguity. Simple. Clean.

Using an attorney to draft your will or tapping into an online legal service, such as LegalZoom.com, ensures that your will has the appropriate language and meets all other requirements.

RESTRICTIONS

You can't do anything that you want.

There are a few restrictions on your freedom to dispose of property. The state guards the interests certain others may have in the estate. Particularly the interests of surviving spouses and, sometimes, children.

In most states, a surviving spouse cannot be given less under a will than he or she would have received if the decedent died intestate. If the will does not provide for this minimum bequest, the surviving spouse may "elect against

the will" and take the amount that he or she is entitled to under the law.

The state also guards the interests of disinherited children and children born after execution of a will. In most jurisdictions, a parent may disinherit a child, but only by explicitly stating this intent in the will.

If the will simply omits all reference to a particular child, the state will assume the omission was inadvertent. A mistake. In that case, the state will award the child whatever he or she would have received if the parent had died intestate. This presumption is even stronger with children born after execution of the parent's will.

If you don't create an estate plan, your state will do it for you.



ESTATE PLANNING GOALS

A good estate plan will:

- Avoid inheritance by unintended beneficiaries;
- Transfer property correctly;
- Minimize estate taxes and administration expenses;
- Ensure sufficient liquidity to pay those taxes and expenses;
- Reduce conflict within the family; and
- Increase peace of mind.

Your will should do all this while incurring the least amount of emotional stress or financial cost.

Now that you know the basics, you probably will want to get an attorney involved. Your estate is too important to leave up in the air. Get the right kind of help to cross the "t's" and dot the "i's."





Collecting What's Due

A customer calls to order flowers. You create and deliver exactly what he requested. You send out the invoice. But the customer doesn't pay.

In addition to the time you spent creating the design, you've also lost:

- The money spent on the container, supplies and flowers;
- Delivery expenses;
- Wages and benefits paid to your driver.

It's not fair. Of course not.

Fortunately, it doesn't happen often. The typical retail florist's bad debts are usually less than one-half of 1% of a shop's sales.

However, when this does happen, it is irritating. What steps can you take to get your money?

COLLECTION PROCEDURES

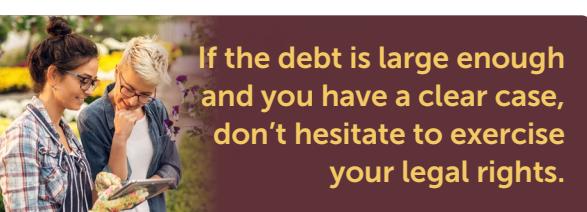
The first step is to send the proper collection notices. If that doesn't work, contact the customer by phone and try to get an agreement to pay.

When those measures fail, one last path remains. You can take the non-paying customer to court.

SMALL CLAIMS COURT

Is suing a customer for collection worth it? Not always.

If the debt is for a single, average-priced arrangement, just forget it. Small claims court will be a waste of your time and money.



If the debt is large enough and you have a clear case, don't hesitate to exercise your legal rights.

However, for bigger amounts arising from multiple or large orders, small claims court could be a tactic worth pursuing.

Bringing suit in small claims court is not high legal drama. In fact, it's quite easy. The requirements for filing and prosecuting the claim are few.

First, the amount in contest must be within the limit your state has set.

In Oklahoma, for example, small claims can be as much as \$10,000. Check your state to see how much you can recover in small claims court.

Taking Your Customer to Court

There's also a modest filing fee—\$25 or so.

The court will give you a form on which you'll be asked to state your claim. You don't have to sound like a lawyer. Just explain what happened.

Once you file a complaint, the court will notify the defendant (the person who owes you money) of the claim and set out the deadline by which he must answer.

Often, you will win the case by default. The defendant will not bother to respond to the complaint. In some jurisdictions, as many as half of all small claims complaints get a default judgment.

If the defendant does respond, the court will set a hearing date. Both parties will have to present their cases to the judge in person.

If you have the time, try to sit in on a few small claims cases before your hearing date. You'll learn how the judge handles the proceeding and become a little more comfortable with what will happen.

If you plan to produce any written evidence (e.g., the order, the invoice or emails you and the customer exchanged), make enough copies for yourself, the other party and the court's files. You don't want to give up your only original.

Always treat the judge with absolute respect. You may gently disagree with the judge's interpretation of the facts. But never question his or her authority.

If you win, whether by default or after a hearing, there's still one more step: collecting on the judgment.

COLLECTING

With a court-ordered judgment in hand, you have gained a big advantage. You're no longer in a shouting match. You have the full force of the law on your side.

If the defendant won't cooperate, you may have to apply some pressure. The state offers a couple of good options for doing so.

The court can issue an order "attaching" some of the defendant's property—a bank account, for example. Money or other property may literally be seized by the court to satisfy the debt.

If you are unsure what property the defendant owns, the court can order the defendant to appear for an "asset hearing." The defendant will be ordered to disclose, under oath, what property he has.

Failure to cooperate with any of these court orders can lead to fines or even jail time.

The use of small claims court won't make sense in every situation. But if the debt is large enough and you have a clear case, don't hesitate to exercise your legal rights.

The cost is minimal. And the small claims courts stand ready to help you right a wrong. 

Managing Bad Checks

Although check fraud isn't a huge problem in most flower shops, you likely will face it at some point in the life of your business. The key to minimizing the damage? Be ready.

Develop sound procedures for accepting checks. Then, make sure all your employees follow those procedures.

TYPES OF CHECK FRAUD

There are basically three types of bad check scenarios to guard against.

1. Bounced Checks

The account is legitimate. The individual who signs the check is authorized to do so. There simply is not enough money in the account to cover the check.

The customer may have written the bad check intentionally. Or it might have been an embarrassing mistake.

2. Falsified Checks

Sometimes a check is completely fabricated. It will be drawn on a bank you recognize, but the account has been closed (or it never existed in the first place).

Again, it is possible that this could be an honest mistake. Your customer may have accidentally picked up an old checkbook. Generally, however, these are intentional attempts to defraud your business.

3. Stolen Checks

The account is legitimate. There is plenty of money in the account. But the person presenting the check is not authorized to sign.

Thieves often steal blank checks from the back of a business or personal checkbook so the crime will not be immediately noticed. Then, the checks are forged in quick succession

and presented for payment at different locations.

The goal is to strike before the true account holder notices the shortage in the account.

Fraudulent checks mailed in to pay a house charge are fairly easy to handle. The bigger challenge is when customers walk in off the street and pay with a bad check. If you have never seen the person before, the risk is even greater.

WHAT TO DO

Start by requiring the customer to present a government-issued photo ID card. A credit card is not enough. If the customer stole blank checks, he also may have stolen credit cards.

Take a moment to look at the check itself. Do you see any erasures, altered dollar amounts, account numbers or names? Compare the signature on the check with the signature on the photo ID card. Forgeries are easier to spot than you might imagine.

Avoid cashing checks for more than the amount of the purchase. Some shops bend this rule a bit for regular customers. However, keep your flexibility to a minimum. Certainly, you should never hand over cash to new customers.

Do not accept out-of-town checks or those drawn on a bank with which you are not familiar. Tell the customer you would prefer a credit card. If that fails and you want to go through with the sale, carefully check the government-issued photo ID.

Never accept travelers' checks unless they are endorsed in your presence and you confirm the two signatures match.

Never accept second-party checks. The customer should sign the check in your presence. You may make an exception for regular corporate accounts that send messenger with a check. Just be careful.

MINIMIZE LOSSES

The type of check fraud will determine how best to respond to minimize your losses.

A bounced check can be resubmitted to the bank for payment. If it bounces again, contact the customer. Be understanding but firm in your request for immediate payment.

When a check is written on a closed or non-existent account, you'll have to decide how far you're willing to go to get your money. Usually, the purchase will be small enough that collection efforts won't be worth your time or money. ☺

FAMOUS FINANCIAL WORDS

"Your net worth to the world is usually determined by what remains after your bad habits are subtracted from your good ones." —Benjamin Franklin

"The art of winning in business is in working hard—not taking things too seriously."—Elbert Hubbard

"If all the economists were laid end to end, they'd never reach a conclusion."—George Bernard Shaw

I N Q U I R I E S & A N S W E R S

Letters



FREIGHT CHARGES

*"How should I handle the accounting for freight charges?
Are freight charges an expense item like postage?"*

No. They are part of cost of goods sold (COGS).

Think about the products you buy from your local wholesaler. The wholesaler has paid freight on the products shipped to her. She adds that cost into her pricing formula. So, you actually pay for her freight when you make a purchase. Her freight becomes a part of your COGS.

Treat the products you buy direct the same way. Enter the entire invoice amount, including freight, as COGS. If an invoice includes different kinds of products, allocate the freight between the various COGS categories. If the carrier charges freight separately, allocate the freight to COGS when you pay the freight bill.

The final step is crucial. When you price a product for resale, add the freight cost to the item before applying your markup.

SALES TAXES

*"My accountant told me to include sales taxes in my total sales
and then take them out as an expense. Is that right?"*

It's not the best way.

Your accountant is balancing your sales with your daily receipts. His method won't cause any tax problems. However, it will artificially inflate your sales. That will throw off the percentages on your financial statements that you use to monitor your shop's performance.

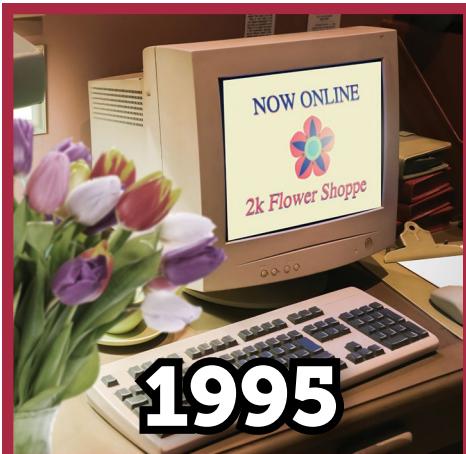
The better approach is to not include sales taxes in total sales. Instead, move them directly to a sales tax payable account on the balance sheet. This keeps everything separate and tidy.

Your point-of-sale (POS) system should be able to handle this allocation automatically for accounting and general ledger purposes. If you're not sure how your system is set up, call the POS support line. They should be able to confirm you are all set or explain how to get the result you want.



NORMS

BIRTH OF THE INTERNET



Large, government-controlled computer networks begrudgingly opened their lines for commercial use in 1995. That was the beginning of the internet we know today.

It is hard to overstate how much today's business world relies on the internet. Can you even imagine running your business without it?

Smart phones, websites, email confirmations, online ordering, social media. The list just goes on and on.

If all of those advancements came about in a short 25 years, imagine what will happen in the next 25 years.

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