



## Selecting Your Site

*Moving, growing or downsizing?* page 2



FINANCIAL  
INFORMATION,  
EDUCATION  
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# Floral Finance®

teleflora®

OCTOBER 2020

VOLUME 39, ISSUE 10



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## QuickTakes

*Ideas You Can Put  
to Work Immediately*

### 1 Be Positive

It's challenging to stay positive, especially with the stress of the COVID-19 pandemic and social unrest. But finding ways to feel positive is more important than ever.

Why? Because your customers need you.

Your beautiful arrangements and giftware (and your delivery service!) brighten the days of your customers. You help them celebrate and give them a reason to smile during a time when it is hard to find joy.

### 2 Part-Time Pool

As you navigate how best to staff for the economic ebb and flow the pandemic is creating, consider tapping the resource of college students who are home while their universities are working remotely.

This group may be looking for part-time employment—and at a perfect time as the holidays approach.

### 3 Time to Learn

Are you using your smartphone to its fullest extent? Now could be a great time to learn how to put it to work.

Take advantage of movie-making apps to create short videos you can post to social media. Or play with photo filters and the integrated high-tech cameras to better capture photos of your arrangements.

## BE THANKFUL YOU'RE A FLORIST



Most retail florists recognize the enjoyment and pleasure that come from working with flowers and making a difference in customers' lives.

But other aspects of the retail floral business can bring stress and strain to even the most optimistic and organized shop owners. Especially given the unprecedented challenges and uncertainty brought on by the COVID-19 pandemic, social unrest and natural disasters—on top of this being an election year.

And now we are entering into the always-intense holiday season. This time of year brings an extended period of being overly busy, stretched in too many directions and fatigued.

Working hard to sell the holidays can take the joy out of the season. In fact, the holidays can turn many retail florists into complainers.

However, to gain some perspective, think about other retailers. Did you know that many retailers do more than 25% of their annual sales at Christmas-time?

Talk about a skewed sales pattern!

The average retail florist will do 13% to 15% of his or her annual volume during this Christmas season. That means December is roughly twice as busy as a non-holiday month.

Of course, doubling your output is challenging. It's busy, but it's manageable. As long as you plan ahead for the season (e.g., see the "Quick Takes" about hiring students to assist as part-timers), you can reap the profits of the holiday without losing the joy.

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On the cover: Teleflora's  
*Enchanted Harvest Bouquet*

# Selecting Your Site

Whether you are opening a new flower shop, adding another location, considering a move or downsizing, selecting the site is no small task. The right site will increase your chance and level of success. The wrong site will make your life tougher. It can even spell failure for some businesses.

Site selection involves two major considerations and several smaller ones.

### MAJOR ISSUE #1: WHO ARE YOUR CUSTOMERS?

Traditional retail florists sell service as much or more than flowers. It's your service that separates you from mass marketers.

You may offer higher-quality flowers and greater variety than your big-box competitors. But your service usually clinches the order.

Your customers are looking for design and delivery. These services are expensive to offer. So, you have to charge more than no-design, no-delivery mass marketers.

Your customers are willing to pay for what they want. And many are from higher-income households with discretionary dollars to spend.

Many purchases also are for special occasions. So, the customer is less price-sensitive.

### Types of Shops

You also may want to target niches that serve the needs of unique customers and markets.

You have to decide which niches you will pursue. Where do you best fit?

### 1. High Style, Custom

This florist specializes in unique arrangements to meet specific needs of individual customers. The shop may coordinate floral designs with other aspects of the customer's home or office decor.

High-style, custom florists also often do large parties and weddings. It's a very upscale type of business that caters to the "carriage trade."

### 2. McDonalds of Flowers

Standard arrangements are the backbone here. Not a lot of custom work.

These are usually high-volume shops that want to offer the benefits of design and delivery at a lower price to large numbers of customers.

### 3. All Purpose

Most retail florists fit into this category.



## Moving, growing or downsizing?

They want to serve the custom needs of specific individuals; however, they also want to serve a broad audience with standard arrangements—especially during holidays.

Within these major categories, some shops might focus on corporate customers; the market for loose, unarranged flowers; or sympathy business.

Once you have defined the clientele you have or want, you can establish specific requirements your location must satisfy.

### Location Characteristics

The next step is to define the characteristics your location must have. The kind of traffic levels and patterns you need. The type of building that would be best.

If you're trying to attract a large number of diverse customers, traffic is important. The shop can't be hidden away on a back street. Your shop will need to be right in the path of traffic.

Traffic volume is quite different than traffic patterns. Many streets have a high volume of traffic but not the kind of drivers that stop to shop. Every community has freeways and high-speed-limit arterial streets used primarily for getting across town. Retailers on these routes often don't do well.

You want a location with a high volume of slow-moving traffic. Those drivers are out to shop. The best locations will have a parking area that is easy to get in and out of.

The building type is important, too. Do you want a standalone shop or one in a strip center or mall?

Of course, financial considerations also will come into play. More about that shortly.

### Where Are Your Customers?

Most florists get the bulk of their business from customers who live or work within 5 miles of the shop.

If you're a high-style, custom florist, traffic is less important than being located where your clientele shop. If there is no obvious upscale retail area, select a location your customers drive by frequently.

If you want to serve a local military base, be near the base or close to areas base personnel frequent.

If sympathy work is your goal, look where local funeral homes and cemeteries are located.

### MAJOR ISSUE #2: COST

Many retail florists have failed because they leased a building that was beyond their means.

Wanting a beautiful and/or large location is understandable. But can you afford it?

Profitable shops keep facility expenses at or below 10% of sales. Anything more than that and you'll find yourself working to support the landlord rather than yourself.

Facilities expenses include rent, utilities, repairs and maintenance, property taxes, and insurance. Collectively, these items should not exceed 10% of sales.

This is one target that most retail florists meet. Facilities expenses for the average retail florist are around 8.5% of sales.

Figure out what your budget will allow. Multiply your anticipated

sales by 10%. Make sure each location you consider will have total facility expenses under your target. Don't take on a monthly expense you can't afford.

### Regional Malls

Generally speaking, regional malls are not good for retail florists. There are several reasons:

- Mall rental rates usually are greater than 10% of sales.
- The mall's long hours of operation make it difficult to meet payroll targets.

**It's your service that separates you from mass marketers.**

- Customers generally don't want to carry perishable products around a mall.
- Easy access to the shop's delivery vehicles is not always possible.

### Customer Buying Patterns

A final consideration: the role the telephone and the internet play in your business. What percentage of your customers order over the phone or through your website rather than visiting the store?

If few of your customers actually come in, consider a less fancy, lower-cost, centralized location that will increase your delivery efficiency.

Spend less on the facility and more on marketing. 





# The Multiple-Shop Paradigm

**W**hat you see isn't always what you get. And expectations don't always become reality.

In the floral business, you can't be overly optimistic or overly pessimistic. You must have a realistic view of the future.

These principles are especially important for owners considering adding another location—and particularly now as the economy recovers from the pandemic.

## THE GROWTH MISTAKE

Too many florists think opening a second shop will solve all their problems.

The advantages seem obvious.

Economies of scale. Increased efficiencies. Another revenue source against which to allocate overhead. A chance to build on a successful name.

Sometimes these advantages are true. Some florists are well situated to duplicate their current success at multiple locations.

At the same time, a second shop might be an absolute disaster for many owners who are itching to grow.

## TWO MISPERCEPTIONS

Before you expand, look at two hard facts.

### Can't Miss?

The fact that you have one successful shop doesn't mean a second would achieve similar results.

A host of factors went into the success of your first shop. Management. Location. Product. Customer base. Promotion. Competition. Unless all are duplicated exactly in a second location—an impossibility—you cannot guarantee the same results.

### More Profitable?

Contrary to popular belief, multiple-shop operations are generally less profitable than strong, single-store businesses.

Total profit may well be higher in the multi-store operation. But as a percentage of sales, profitability usually is lower.

Are you willing to take on additional responsibilities for a diminished return?

### EXPAND TO REACH PROFITABILITY

If your present shop is not profitable, adding a second will only expand your problems. Your management and profitability issues won't go away—they will expand.

Get the current location on a solid footing before even considering expansion.

### THE ISSUES

To make your analysis a little easier, we have listed the basic issues here. For each, you'll see the potential advantages and disadvantages.

Since every business is different, you'll have to judge how each element applies in your case.

### Buying Power

**Plus.** Bigger floral operations can buy in larger quantities.

Wholesalers are smart. They reward their best customers with the best prices. A multiple-shop florist, therefore, may be able to see a lower cost of goods sold (COGS).

**Minus.** Big increases in volume are usually necessary to gain meaningful price breaks.

A second shop often grows slowly. It may take a while to increase volume to a point that will bring substantial savings on fresh or hard product purchases.

### Central Design

**Plus.** A centerpiece of most multiple-shop operations. The idea is always the same: Many design functions are best handled together.

A central design facility can bring real design efficiencies. Production design techniques increase productivity. You can better control the amount of product used.

You also will not need as much high-caliber design talent at each store. That means labor savings.

**Minus.** If a given location lacks adequate design talent, you won't be able to serve walk-ins who need something special and need it quickly.

If you keep high-caliber designers at each shop, there is another problem: Will their skills and time be well utilized? Or will they face mostly unchallenging, unsatisfying work?

Placing a designer/manager at each location may be the answer. Meet your remote design needs and expand the scope of the position at the same time.

### Delivery

**Plus.** Another function that can be centralized. A single truck can just as easily take 10 arrangements to the hospital as the five your single shop currently sends.

With more deliveries, you can construct more logical routes. Multiple orders concentrated in a single part of town can be delivered efficiently and economically.

**Minus.** To keep each shop stocked, you must get flowers from the central design facility to the remote locations(s). The daily runs will increase your delivery costs.

Many phone and online orders can be prepared at the central facility. But what about customers who pick out something at one store and want it delivered? You will have to get it to the central delivery location.

Funneling orders to the delivery center will add some time and expense to the process. Will customers get what they want when they want it?

### Office Considerations

**Plus.** A single computerized accounting system can handle two stores just about as easily as one. Modest additional equipment and software will be required.

Similarly, a bookkeeper for one shop often can take on another location.

**Minus.** It may not be quite that simple. Keeping the records for the two stores separate can be frustrating. Cash flow becomes more complicated, not less.

Keeping everything straight may require a more skilled, more highly compensated bookkeeper.

### Advertising

**Plus.** You can promote the same specials and sales at both stores. One ad can pull double duty. The coordinated campaign will attract two groups of customers for the same money you would spend on a single shop.

You also will have more volume to cover the cost. You can spread the advertising expense between the two locations.

**Minus.** In practice, it seldom works that way. Industry wide, multi-shop operations spend more on advertising as a percentage of their sales.

Why? Maybe bigger businesses are more aware of the need to advertise. Plus, the bigger the business, the more it takes to keep it going. In any event, don't expect significant advertising savings from a multi-shop business.

### Management

**Plus.** Owners often see additional locations as a way to leverage their personal talents and time.

Your skills may be underutilized in a single shop. A bigger enterprise could offer a chance to use management skills you haven't really tested before. Meeting the challenge can be rewarding.

**Minus.** No flower shop runs itself. And you can be in only one place at a time.

Every store requires strong, on-site management. When you have just one location, you can fill that role quite nicely. Your backup only has to be a good number-two person.

With two shops, you will be focused on directing the overall plan. You will need talented managers at both locations.

These managers must be extremely capable, independent and stable. Each should be a strong number-one person who can run the show, not just function as a second-in-command.

Your current backup may not be right for the role. You may have to do some hiring. The new managers likely will command higher salaries than your current backup.

### COMPLICATIONS

There is one other factor to consider.

Life gets complicated when you add a second shop. More people on the payroll. More decisions. More demands on your time.

Also, mistakes are magnified. Buying 5% too much product produces a much bigger dollar loss. Same thing for cost overruns or fat payrolls.

### ALTERNATIVES

Some owners will thrive on the challenge of a multi-shop operation.

You just need to remember that a second shop is never a cure-all.

**Since every business is different, you'll have to judge how each element applies in your case.**

If you want to grow your business, concentrate first on the location(s) you already have. Work to expand the operation without adding a new shop.

There are many ways to grow. Most can be done right where you are. Add new fresh-product lines. Expand your store hours. Diversify into related products, such as "make-at-home" projects, which are popular now. You assemble the kits. Customers purchase curbside and work on them from home.

When you've done all you can where you are, you can take a look at a new store. But make it a hard, honest look.

Don't rely on your dreams and desires. Reality is what counts. ☀





**I**t sounds like a great perk. Have the company buy your car, pay for gas and take care of all the maintenance. Then, deduct it all as a business expense.

However, be careful.

That road is peppered with potholes.

# Company Cars

## FREE TRANSPORTATION

At least that's what it feels like.

It's the company's money, not yours, right?

Of course, since you own the business, you really are paying for the car. You'll have a smaller profit at the end of the year.

But running the car through the business does save you money because all the checks are written with before-tax dollars. When the business deducts the expenses, you end up paying less income tax.

That's the big advantage.

That's also why the Internal Revenue Service (IRS) has so many rules about company cars.

## THE IRS CARES

The IRS has thought about every possible way company cars can lead to tax abuse. There are rules on how much you can spend on the purchase, how quickly you can depreciate it, and how to distinguish between personal and business use, to name just a few.

For example, your daily drive to and from the shop is counted as personal commuting, not business travel.

Don't try to sneak a luxury car into the game and take a larger write-off. The IRS will catch that in a heartbeat.

## WHAT ABOUT LEASING?

No help here either. The amount of lease payments you may deduct also is subject to restrictions.

The IRS has thought of everything.

## THE BOTTOM LINE

Basically, you have to pay out of your own pocket—not the shop's—for any personal use of the automobile. If the business owns the car and pays the expenses, you must track your business and personal mileage carefully and separately.

The business share can be expensed per very detailed IRS guidelines. You have to report your personal share as income on your W-2.

## TOO COMPLICATED?

Now you're getting the picture. Having the business provide you

with a car usually is not worth the trouble. You're better off buying the car yourself and getting mileage reimbursement for company trips.

Keep a log in the car. Record the mileage for every trip you make on behalf of the business. Each month, add up the mileage. Then, fill out an expense report (with the documentation attached) and have the company write you a check for 57.5¢ per mile. That's the 2020 IRS mileage rate.

You'll get a legitimate tax break without all the hassle. And you can go to sleep at night with a clear conscience. ☺

## CAUTIONARY NOTE

One of the first areas an IRS auditor checks is the taxpayer's personal use of company vehicles. The agent conducting the audit would love to have a company car for his personal use. But he doesn't get one. So, why should he let you?

Save yourself a lot of questions and a lot of trouble. Handle this area the right way.



# Defining Sales

**W**hat are sales?

"Well, that's everything I sell, right?"

That certainly seems like the obvious answer. However, for retail florists it's not quite that straightforward.

The problem? Wire orders.

Should you count an incoming wire order at 100% of the gross order or the 73% you eventually will receive?

And what about outgoing orders?

Should they be entered at 100% or only at the 20% you get to keep?

## THREE WAYS

When we review a shop's performance, the first question is always whether the shop has stated its sales correctly.

That's because the best way to analyze a shop's performance is to compare the results against industry standards that *Floral Finance* has developed over the years. If the sales are not stated correctly, the comparisons will be meaningless.

For example, suppose a shop has \$400,000 in local sales, \$50,000 in incoming wire orders and \$100,000 in outgoing wire orders.

What are this shop's sales? You could take one of three approaches.

1. Some would say \$550,000. Both incoming and outgoing wire orders are included at 100% of their value. The 27% of incoming wire orders and the 80% of outgoing wire orders taken out for commissions would show up as expenses somewhere else on the income statement.

2. Others would say \$500,000. This approach counts the outgoing orders at 100% because those sales were paid for directly by the customer. Wires-in sales are not counted at all because the shop received no cash at the time of sale. When the wire service statement comes in, the amount owed or received would be expensed or taken as miscellaneous income.

3. Finally, some would come up with \$456,500—all \$400,000 of the local business plus 20% of the outgoing orders (\$20,000) and 73% of the incoming orders (\$36,500).

Although all three methods yield a correct bottom line for income tax purposes, only the third one will allow a meaningful comparison against *Floral Finance*'s industry standard percentages.

## WHY IT MATTERS

Suppose the shop had total payroll expenses (including taxes and benefits) of \$150,000.

If the shop used the first method, its payroll expense would be 27.3% of the \$550,000 in sales.

With the second method, the shop would show payroll expense at 30% of its \$500,000 in sales.

And under the third method, the shop would report payroll expenses of 32.9% of its \$456,500 sales.

Since the industry target for payroll expense is 30%, the first two methods would suggest the shop is doing just fine. Only with the third method would the owner know that the shop's payroll expense is too high.

In fact, payroll is high by \$13,050. The shop needs to do a much better job of controlling its payroll.

## CORRECT SALES

To accurately compare your sales against industry standards, include outgoing wire orders at 20% and incoming wire orders at 73%.

You can handle outgoing wires with a wires-out commissions category under non-product sales. For each outgoing wire, enter the 20% you get to keep. The other 80% is a payable you owe to the wire service.

Incoming wire orders require two steps. First, put 100% of the order into arrangement sales. Second, enter the 27% you won't receive under the wires-in commissions category in your non-product sales. (Wire order commissions is called a contra-account because it shows a negative number under sales—essentially, an expense against sales.)

What you count as sales makes a huge difference when you try to evaluate your shop's performance. Make sure you count yours correctly. 

## FAMOUS FINANCIAL WORDS—ANONYMOUS

"People who work for themselves often discover what poor employers they are."

"Speculate when you have more money than you need; not when you need more money than you have."

"The harebrained idea may well start a discussion that will lead to the perfect improvement."

# INQUIRIES & ANSWERS Letters

## PROMOTING YOUR WEBSITE

*"In addition to search engine optimization (SEO), what is the best way to drive customers to my website?"*

### URL advertising.

"URL" stands for uniform resource locator. It just means your web address. For example, [www.myflowershop.com](http://www.myflowershop.com) is a URL.

Put your URL on every single piece of printed material that goes out of your shop. Paint it on the side of your delivery vans. Include it in every ad you place, both online and print. Have it on front door and window decals and on your outside signage.

If you want people to use your website, they have to know what your URL is.

Referrals can generate a lot of website traffic. People tell their friends and colleagues about sites they like. Make sure your customers and friends remember where they can find you.

## E-COMMERCE ENABLED

*"My brother-in-law said my website isn't e-commerce enabled. I have a beautiful site that tells our story and shows lots of our products. Is he right?"*

### Unfortunately, yes.

It sounds like you have a "brochure site." It tells all about your shop and what you sell. But it doesn't allow people to place an order online. To do that, they have to call or come in to make a purchase.

An e-commerce-enabled website takes orders and accepts payments with credit cards, PayPal or other payment systems. The best ones approve the credit card and confirm the order while the customer is online.

Teleflora hosts more florist websites than anyone else at a very reasonable price. All are e-commerce enabled. Call Teleflora for more information at 800-421-2815.



## NORMS

### ACCOUNTING



This is what the average retail florist spends on accounting as a percentage of sales. In other words, not a whole lot.

Smaller shops will run closer to 2% of sales. Larger shops, with at least \$500,000 in annual sales, will be at 1% or less.

Your accounting expenses pay for your monthly financial statements and year-end tax returns. Both are essential tools, supplying the financial information you need to run a profitable operation.

Accounting is not an area in which to try to cut expenses. It represents such a small portion of your overall expenses that trimming a few dollars wouldn't improve your bottom line much.

In fact, the opposite is more often true. Spending a little more on accounting to get good financial information can translate into much higher profits.

*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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