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QUICKTAKES

*Ideas You Can Put
to Work Immediately*

1 Administrative Professionals Day/Week

Administrative Professionals Day/Week is coming up fast. Although not as big as it used to be, it can still add to sales. Are you ready to promote your products and services to local businesses? Target your customers from the last three years. They are prime prospects. Call and email them. Even visit their offices to drop off samples of what you can provide.

2 Mother's Day Prep

If you haven't already analyzed your sales from last year's Mother's Day and projected sales for this year, you're behind the curve. Move quickly to order all of your hard goods and decide who will supply your fresh product. And don't forget to lay out your promotion and advertising plans.

3 Money-Making Specials

How many Mother's Day specials will you offer this year? Not only the wire service specials but also your own. And how profitable will they be?

When done properly, recipe arrangements help control cost of goods sold. They also increase design productivity. Just remember to count every recipe design twice to make sure it follows your pricing formula.

INCREASE CUSTOMER LOYALTY



Most florists want to increase customer loyalty by offering better products and service. However, did you know that you can increase customer loyalty even when you goof up?

If you handle conflicts with customers properly, you can actually turn their disappointment or anger into greater loyalty.

Nine out of 10 customers will continue to do business with you if they think you have handled their complaints properly. So, use complaints as opportunities to turn these customers into loyal supporters.

Start by listening. First and foremost, everyone who has a complaint wants to be heard. Don't jump in too quickly to try to fix the problem.

Make sure that you understand the basic grievance and that you ask enough questions to get the specifics. Once you think you've got it, summarize the problem for them to make sure you completely understand.

Next, ask what they would like to see happen. What would make them happy?

Then, offer a solution that is in keeping with their desires. Follow through on your promise. And add something extra to show you are willing to do more than the minimum.

Finally, check back to make sure the customer is happy.

Instead of avoiding angry customers, embrace them and make them happy.

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Recipe Arrangem

High Standards

Even if you're convinced that recipe (or standard) arrangements can make your shop more profitable (and your life a whole lot easier), the task of creating those recipes may seem daunting.

After all, an arrangement that "pays the bills" by controlling cost of goods sold (COGS) may not "fit the bill" for the many different customers and varied occasions you service. Right?

Take heart. You can design profitably and creatively.

To some, the term "recipe" implies a static, mass-produced creation, no better than anything a dozen competitors might churn out.

Do recipe arrangements deserve this reputation? Most certainly not.

You hold the power to change the perception of recipe arrangements forever.

FOLLOWING FASHION

First things first. If you don't keep tabs on the latest trends in floral design and home décor, your designs will never shine. Whether they're one-of-a-kind creations or recipes produced by the hundreds.

Popular arrangement styles and flowers change over time. Think back to the stiff netting and Styrofoam-based shapes of the 1960s. Although perfectly in step with the times back then, they look something less than timeless 50 years later.

Pay attention to the flowers, colors and arrangement styles that appear in design magazines, such as *Flowers&*. Many of the trends you see will be worth adapting—even in your standard arrangements.

But don't stop there. Choose a broad and varied "library" of reading materials to get a big picture of what's out there. Industry publications. Home interior and lifestyle magazines. Even stalwart publications do a great job of keeping up with the times and trends.

Borrow freely, combining elements of one design with another as you develop your own creations.

HISTORICAL PERSPECTIVE

Before you start designing your next standard arrangements, take a look at past winners.

Could that popular Mother's Day special be adapted for get-well and birthday designs? How could you borrow ideas from those "welcome baby" arrangements with the bottle and pacifier—the ones that sold faster than you could put them together?

Use your bestsellers to form the foundation of your recipe repertoire.

LEFT OF CENTER

For standard arrangements that really sing, you'll also want to include a few designs that go a little beyond the everyday.

Designs featuring unique containers or exotic blossoms will let you serve those customers who want something a little different.

You can create formulas for these styles just as easily as for any other

ents that Spark the Imagination

arrangement. Even if you don't sell one every day, you can be confident its COGS will be under control when you do.

Incorporating a wide variety of recipes also will add a little spice to your designers' day. They won't have to make the same three or four arrangements day in and day out.

PRICE POINTS

As you develop your recipes, remember that customers have varying amounts of money to spend.

Have two or three recipe designs at your most popular price points and at least one for others along the price scale.

You can make this process even easier by finding ways to scale up basic arrangements to the next price point. A few more flowers, for example, or a more expensive container.

With this strategy, you'll eliminate the need to come up with a completely different design for each and every price point.

RECIPE BASICS

Remember the reasons for using recipe arrangements?

First is controlling COGS. You must control what goes into each arrangement if you want to be profitable.

Recipes make that task easier because the exact items that go into the arrangement are predetermined and double-checked to make sure the price is right.

The second benefit of recipe arrangements is that they increase your productivity. It's always quicker

to copy a recipe than create something new. Making several copies at once further lowers the amount of time you spend on each one.

Don't equate recipe arrangements with mass production. Recipes are well suited for making just one, two or three designs at a time. No matter the quantity, COGS will be controlled and your productivity will increase.

**Use your bestsellers
to form the foundation of
your recipe repertoire.**

In fact, think of your recipe work not as mass production but as multiple production. Multiple production can happen several items at a time or several over time. However you use the recipes, the improvements to your bottom line will be there.

Producing recipe arrangements is not anti-creativity. It is a method of capitalizing on your creativity to please more customers and run a better business.

GET SOME HELP

Instead of doing all the hard work of conceptualizing recipe arrangements alone, ask your designers, order takers and even delivery drivers for their

impressions about what works and what doesn't.

Your front-line employees may have a better finger on the pulse of your customers than you do. By seeking their opinions, you will gain the widest possible perspective. Employees who are consulted also will feel a sense of ownership when the recipe designs are finalized. As a result, they'll be much more likely to help fight against out-of-control expenses.

FASHION SHOW

Don't let all of your hard work just sit there on the shelf. Show off your recipe designs by putting photographs on your website. Make it easy for customers to find the style they're looking for.

Give your sales personnel a brief description of each of the recipe arrangements so they can describe the arrangements to customers quickly, easily and professionally. Use rich, vivid and emotional words where appropriate.

A GREAT IDEA

Recipe designs can—and should—be far from boring.

Follow the latest design trends, look at your own successes and enlist your employees' help to design arrangements that are as exciting as they are profitable. 🌸



Learning To Do It Right

This average-sized shop is located in a town of less than 25,000. Although not big in terms of sales, the shop's performance is a stellar example of how to achieve profitability.

The owner/manager was attracted to the flower business because of her design ability. She loved flowers and had the talent and desire to be a floral design professional.

However, after more than a dozen years of operating her shop with marginal results, she knew she had to make some changes on the business side.



EDUCATION

The turnaround started with education. Not a formal class. Just an investigation of existing resources on how to run a profitable retail flower shop.

While looking for resource material on profitability and shop management, she came across *Floral Finance*. She immediately subscribed and began to read the articles religiously each month. She also bought a copy of *The Profit Minded Florist* from Teleflora.

Before long, her knowledge of how to run a profitable flower shop had grown considerably. She knew the financial targets she should shoot for in critical shop management areas.

She also realized more than good intentions were needed to get on the shop's profitability track. She would have to roll up her sleeves and set appropriate standards and controls.

ACTION

One challenge quickly presented itself: Her local accountant had no experience in the floral industry. The financial statements he provided were good enough for tax purposes but

did not provide the information she needed to see how the business was doing.

So, she showed her accountant an article from *Floral Finance* that detailed how to set up a profit and loss statement for a retail florist. That led him to change the format of her statement and add some needed detail, especially in the cost of goods sold (COGS) area.

**The numbers tell the story.
A very successful story.**

The next step was to get to work on the changes she would need to make. She started by looking closely at payroll.

To understand the true cost of her payroll, she looked at her most recent 12-month statement and added up the following items:

- Contract labor;
- Regular wages;
- Payroll taxes;
- Workers' comp insurance;
- Employee benefits.

She quickly saw that she had too high of a payroll for the size of her shop. She needed fewer people and more productivity.

When two employees announced they were leaving for personal reasons, she chose not to hire replacements. This was a rare opportunity to downsize without having to let anyone go.

Another article that she read said that a good designer should produce between \$960 and \$1,080 of designs at retail prices in an eight-hour day. She turned that into a target of \$120 to \$135 per hour.

That target became the designers' goal.

Then, she realized it would be impossible to meet the \$120–\$135 per hour target if she scheduled too many design hours.

To address that part of the profitability equation, she did a non-holiday staffing analysis as suggested in another *Floral Finance* article. She analyzed the shop's design production for each day of the week in four non-holiday weeks.

Adding up the design work for four Mondays, then dividing by four gave

the average design load for a typical non-holiday Monday. She did the same for all of the other days of the week.

The next step was to divide the average workload for each day by the hourly target. The result was the number of design hours she needed for each day of the week. No more, no less.

With these changes, payroll was going to look a lot better. Quickly.

STOP THE STUFFING

Next, COGS for arrangements needed some serious attention. Although she had general COGS guidelines, she knew the only way to really control the cost of each arrangement was to count and charge for every flower and green it contained.

She was using the most common pricing formula in the industry: 20% of the retail price for labor, a double markup on the container and supplies, and a 3.5 markup on the flowers and foliage.

To tighten up the control, she printed a retail pricing sheet that included each variety of flower and green the shop sold. She then laminated the pricing sheet and put a copy at each designer's station.

Designers were required to write on the back of the ticket exactly what went into each arrangement. The total dollar amount had to match the retail price.

DID IT WORK?

The numbers tell the story. A very successful story.

By the end of the fiscal year, the results showed a bottom-line profitability to be envied—less than two years

SHOP PROFILE 12-MONTH STATEMENT

PRODUCT SALES	Dollars	Percent
Silk/Dried	\$ 26,291.21	7.0%
Loose Flowers	33,261.41	8.9
Arrangements	200,367.90	53.7
Green Plants	33,426.54	9.0
Blooming Plants	11,915.66	3.2
Balloons	12,775.28	3.4
Fruit Baskets	1,427.63	0.4
Gifts	40,307.05	10.8
Returns/Allowances	-1,181.57	-0.3
Total Product Sales	\$358,591.12	96.1%
NON-PRODUCT SALES		
Service Charges	\$ 6,391.75	1.7%
Wires-out Commission	10,482.10	2.8
Wires-in Commission	-24,852.73	-6.7
Rebates	920.50	0.2
Wire Order Revenue	\$ -7,058.38	-1.9%
Delivery	\$ 18,614.28	5.0
Misc. Income	2,964.68	0.8
Total Non-Product Sales	\$ 14,520.57	3.9%
TOTAL SALES	\$373,111.69	100.0%
COST OF GOODS SOLD		
Silk/Dried	\$ 8,676.12	33.0%
Loose Flowers	8,314.76	25.0
Arrangements	62,290.10	31.1
Green Plants	11,030.81	33.0
Blooming Plants	4,226.64	35.5
Balloons	4,471.37	35.0
Fruit Baskets	748.32	52.4
Gifts	20,153.51	50.0
Discounts	-355.99	-0.1
Total Cost of Goods Sold	\$119,555.63	32.0%
GROSS PROFIT	\$253,556.07	68.0%
EXPENSES		
Advertising	\$ 24,884.74	6.7%
Telephone/Dove	14,420.33	3.9
Interest	4,970.40	1.3
Facilities	33,663.04	9.0
Payroll	59,179.98	15.9
Vehicle	5,184.48	1.4
All Other Expenses	30,389.15	8.1
Total Expenses	\$172,692.12	46.3%
NET PROFIT BEFORE TAX	\$ 80,863.95	21.7%
COMPARISON ADJUSTMENTS		
+ Interest Expense	\$ 4,970.40	1.3%
- Owner/Mgr Payroll	-37,311.17	-10.0
COMPARABLE NET PROFIT	\$ 48,523.18	13.0%

into the big changes.

The shop's improved monthly profit and loss statement confirmed that the changes she had put in place were working. More dollars were finally flowing to the bottom line. 🌱

A Look at the Numbers

The table at left shows the results for the 12-month period.

COGS for arrangements was a respectable 31.1%. In general, a retail florist needs to keep COGS for arrangements below 33% to be profitable.

Payroll expense was an amazing 15.9%. Impossible, you say? Not at all. Two elements helped make this happen.

The owner/manager works very hard to minimize the amount of labor she needs to hire. She also is not on the payroll. Her compensation is whatever the net profit is.

Normally, *Floral Finance* recommends that the owner/manager of a medium-sized shop have a total compensation package of about 10% of total sales, including any taxes and benefits.

A shop with the owner/manager on the payroll should keep total payroll expenses (including taxes and benefits) at or below 30%.

If the owner/manager is not on the payroll, as in this case, payroll expense should be kept at or below 20% of sales. So, by working hard and keeping productivity high at all times, she is able to come in a few points under the ideal target.

Notice that the shop's profitability did not come at the expense of advertising. Both years, this shop spent 6.7% for advertising. An aggressive amount by industry standards.

Facilities expenses—the other major expense item to watch—came in under the do-not-exceed target of 10%.

In all major categories, the shop's performance is excellent. And it shows in the bottom-line results.

For comparison purposes, we added back interest expense and subtracted out an owner compensation package of 10% of total sales at the bottom of the chart. With these adjustments, the shop shows a profit of 13%. That's 3% above the *Floral Finance* target of 10%.



It was Wednesday afternoon, and Jennifer had just retrieved her Teleflora statement online. She quickly scanned the rows and columns. Just like she did every month. However, this time something caught her attention.

The statement included a \$60 charge for a wire order sent to Carmel, Calif. Jennifer handled all of her shop's wires-out, except during holidays. Because she had honeymooned in Carmel three years earlier, she would have remembered sending an order to that beautiful destination—especially one that large.

But she didn't recall sending such an order. So, naturally, her suspicions were aroused.

HOW IT HAPPENS

Unfortunately, wire service fraud happens all too frequently. Orders are sent illegally. Unsuspecting florists pay the bills without knowing they covered for someone else's crime.

Think about it. Sending out a wire order is actually pretty simple. You look up a florist in the town to which you want to send an order. Place a phone call. Give the order. Hang up. That's it.

Suppose, however, that you were a dishonest florist. You had an order to send, and you didn't want to pay for it. So, instead of telling the receiving florist your own shop name and ID number, you gave someone else's. Simple.

Wire service fraud can happen in other ways too. A disgruntled ex-employee decides to send out a few orders on his or her former employer's number.

Or a current employee wants to send an arrangement to his or her mother on Mother's Day. The employee sends the order and charges it against the shop.

Finally, there's the plain old thief. A bad guy somehow learns how wire orders are sent. He gets a few florists' ID numbers. Voila ... free flowers.

THE COMMON THREAD

All wire service fraud boils down to the same thing: Someone sends an order for which they do not intend to pay. He or she provides false information about who is actually sending the order.

Fortunately, if you are a victim of wire service fraud, your liability is limited. You do not have to pay for a fraudulent order, provided that you follow a few simple guidelines.

1. Always Reconcile Your Statements.

You'll never know if someone has sent an order "on your nickel" unless you reconcile your monthly statements. It's your only sure protection against fraud.

The good news? Reconciling your statements is easy.

Each month, check every order on the statement against your records. Make sure you actually sent each one.

You reconcile your wire service statement in the same way you check over the bills you pay. You make sure you are being charged only for the items you ordered. And that the prices are correct. Check each and every outgoing wire to make sure it matches an order ticket on

file in your shop. And check incoming orders to make sure you are being paid for every arrangement you filled.

If an order has been incorrectly recorded, contact your wire service to ask for the appropriate corrections.

If you have a point-of-sale (POS) system, you can do most of the reconciliation electronically—quick and easy.

2. Check for False ID Numbers.

As a receiving florist, you want to do everything you can to make sure you do not accept fraudulent orders.

It is your responsibility to see that the order is from a legitimate wire service member. In reality, this is a problem only on telephone orders. Dove orders automatically come from a legitimate ID number.

This cross-checking also guards against ID numbers that are legitimate but improperly entered. It happens all the time. The sender or order-taker may reverse a digit or two accidentally, leaving you with an invalid number.

Occasionally, you may get a telephone order from a florist who is not listed in the directory. Perhaps he or she recently joined and missed the print listing cutoff date.

Simply call the wire service to verify the sending ID number. The wire service can clarify whether it is a new florist or a fraudulent number.

Your wire service guarantees payment on any order placed by a legitimate member. Your job is to make sure—to the extent you can—that your orders are from legitimate sources.

3. Always Get Phone Numbers.

The recipient's phone number is a helpful safeguard if there are delivery problems. It also will be useful if the order turns out to be fraudulent.

One of the nice things about the flower business is that it's very personal. Someone receives the flowers. You can always check with him or her to see who sent them.

That's precisely what keeps most people from sending a fraudulent order. It's relatively easy to track down the guilty party. But to be safe, get the phone number of the sender. If there is a problem, you have a number you can call to make corrections. 🍀

YOUR 911 PLAN



Can you imagine what running a flower business would be like in a perfect world?

For starters, your customers would contact you days in advance whenever they needed flowers—not at the last minute.

Your computers would be easy to operate and would never go down.

Mother Nature would always cooperate so that deliveries could be made efficiently and safely. Traffic jams would never delay a hurried driver.

Brides would politely schedule their weddings so that your staff would never be stretched too thin.

And every imaginable flower would be available, fresh and priced right, every time a customer wanted it.

But let's face it. The only way you'll ever experience that kind of world is in your imagination. Things don't always run smoothly. Emergencies occur. Plans change. Schedules go awry.

Instead of being surprised by these problems, expect and plan for them. With a little advance preparation, a would-be catastrophe can be turned into a minor inconvenience.

Your job as a manager is to prepare for the troubles that may come your way sooner or later.

RUSH ORDERS

Design and create a small number of standard arrangements in advance. In addition to lowering your labor costs, this will give you a ready supply for filling rush orders.

CRASHING COMPUTERS

No computer lasts forever. And computer crashes have a way of coming when you least expect them. If you aren't prepared, that can be a real problem.

Make daily computer backups a regular part of your routine. A good backup system will allow you to save and protect tons of data. You can program the backup to occur automatically at an hour that won't interfere with your operations (say, 2:00 a.m.). If the system crashes, you will have lost only a few hours of data, not weeks' or months' worth.

DOUBTFUL DELIVERIES

Don't make delivery promises you may not be able to keep. Give

yourself enough room to allow for traffic jams and design delays. During periods of inclement weather, build in even more leeway for your drivers. Customers will understand. And if you beat your estimated time of delivery, they'll be that much happier.

LABOR SHORTAGE

Employ part-timers who can add to their hours when the shop has extra demands.

If your weekend schedule is too full to do any more weddings or parties, don't accept new assignments. You can't afford the bad publicity that will result if the wedding doesn't come off as planned.

LESS-THAN-FRESH PRODUCT

Keep your standards high.

Work with your wholesalers to ensure you get the right products at the right moments. Allow enough time for conditioning so that you aren't selling fresh product before it's really ready. Your efforts will mean fresher flowers and greater customer satisfaction.

Go through a similar process with other operational areas, as well. Think about the potential problems. Then, take steps to reduce the chance those problems will materialize—and to minimize the damage if they do. 🌸

FAMOUS FINANCIAL WORDS

"We at Chrysler borrow money the old-fashioned way. We pay it back." —Lee Iacocca

"If making money is a slow process, losing it is quickly done." —Saikaku Ihara

"Though mothers and fathers give us life, it is money alone which preserves it." —Saikaku Ihara

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INQUIRIES & ANSWERS LETTERS

MIXING BUSINESS & PLEASURE

"I plan on adding a few days of personal vacation to the end of a floral convention. Does this affect how much of the trip I can deduct?"

Yes.

If the primary purpose of the trip is business, you can deduct the cost of travel to and from the destination and the business expenses associated with the trip. Only personal expenses associated with the trip are not deductible.

Vice versa, if the primary purpose of the trip is personal, you cannot deduct the cost of traveling to and from the destination. Only business expenses incurred while at the destination can be deducted.

How do you determine if the primary purpose of the trip is personal or business? There are two indicators.

First, would you have made the trip if the business reason weren't there?

Second, even if the answer to the first question is no, the IRS will look at the facts surrounding the trip. How much time was spent on business? How much on personal activities? If personal activities take no more time than the business activities, you're probably safe in calling it a business trip.

On travel and related expenses, the IRS often uses a "common sense" test. "Would a hard-working business person have incurred such expenses under similar circumstances?"

ON THE HOOK FOR OVERTIME

"If my employees work overtime without permission, am I required to pay?"

Yes, you are.

Under the Fair Labor Standards Act, non-managerial people who work more than 40 hours a week are entitled to overtime pay, whether you authorized the extra hours or not. This law potentially puts your business at risk. Following a few steps can help protect you.

Set up and enforce a policy prohibiting employees from working overtime without prior approval. Note that having such a policy alone is not enough. When an employee works overtime, you still must pay. Only enforcement will give you the desired result.

Document each time an employee disobeys the rule. Repeated unauthorized overtime is grounds for dismissal.

NORMS

DELIVERY REVENUE



This is the percentage of total sales normally derived from delivery revenue.

If you are a typical florist, approximately 65% of your total sales will come from arrangements. Most of those arrangements will need to be delivered. If your delivery charge is at a reasonable level, your total delivery revenue will be approximately 8–10% of total sales.

If your delivery revenue is lower than that, look at your sales mix. Delivery is not related to gift sales. Those customers typically come into the shop. Delivery is directly related to arrangement and plant sales.

If most of your business comes from arrangements and plants, and your delivery revenue is less than 8–10% of total revenue, review your delivery charge. It may be too low for your market.

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