

FINANCIAL INFORMATION, EDUCATION AND CONTROL FOR THE RETAIL FLORIST



## teleflora.

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## **Q**UICK TAKES

Ideas You Can Put to Work Immediately

## Reduce Your Staff

Retail florists are now in a stretch of non-holiday sales that goes through mid-November. Now is the time to reduce your staffing levels to ensure productivity is high. Look at your daily sales to determine exactly how many hours of design time you need each day of the week.

Not reducing payroll during lulls is the number one cause of low profitability. Every extra hour in payroll you do not need goes against your profit.

## 2 Communication Smarts

Busy? Then avoid phone calls and you also will avoid many friendly—but time-consuming—conversations. Have a staffer take detailed messages, or point callers to your voicemail or email.

Then return all your calls at once, which will make you more efficient. Provide thorough answers to questions. Suggest an email response if needed to prevent further phone tag.

## Cleanliness = Efficiency

Get in the habit of cleaning up after yourself. Clean up the design area. Make sure everything is put in its proper place. Restock supply items that are low.

If you keep things orderly, your staff will respond with more efficient work habits. You will be setting the proper tone.

## ON BEING 'ALL EARS'



Have you ever made the statement, "I'm all ears"? What did you mean by it? It's more than just a saying. It's a piece of advice that we should all follow.

When a customer or employee complains about something a staff member has done, it wouldn't be unusual for a shop owner or manager to jump to conclusions. But the risk is that the owner/manager will come to the wrong conclusions. Often, the result is that a mountain is made out of a molehill and the wrong person is addressed about the issue.

Whether you are managing a business, leading a committee or parenting children, your influence is often determined by how much you are willing to listen. Those who listen are respected. Those who rush to judgement are not.

Get the facts first. Talk to all parties involved. To get the full story, you will have to do more listening than talking. Be open to whatever is said.

Next, take the time to sort through the facts. Once you have identified what appears to be the truth of the situation, you will be ready to take action.

But even then, the challenge isn't over. You will want to stick to the truth and give beneficial guidance. Only say what is necessary, what will provide good direction and what will be constructive.

Your well tempered advice will win the day. And respect will follow.

Paul Goodman Editor

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dvertising is not just an art but also a science. It's a touchy-feely thing that sometimes hits the mark and sometimes doesn't. What makes the difference in success or failure?

Wrigley, famous for chewing gum, said that half of his advertising was wasted. He just didn't know which half. That accurately reflects the frustration that many retail florists experience when they attempt to establish an advertising plan.

Since advertising is not precise—at least not randomly—you need to ensure you plan properly before making the investment. The first step, even before thinking about specific advertising options, is to clearly identify who your shop's customers are, what they buy, and when and why. You must drill into the details to refine your advertising plan.

#### WHERE TO BEGIN

Excellent advertising begins with concrete information. You need to know precisely what your business is about. Who are your customers and what are the products and services that bring them to you? Once you know this information, you can target your message to your audience.

Without the proper information, your advertising would be like a shot-gun rather than a rifle. The majority of your messages would not hit the mark.

The form at the right is designed to walk you and your key employees through a series of questions. Make copies of it. (You can also download it at www.getadocument.com/ff.)

Undoubtedly, you will be able to answer some of the questions quickly and easily. Others may take some thought.

You can probably generate reports with your accounting software that will fill in many of the blanks.

Don't worry about every answer being absolutely precise. You only need to be in the ballpark. As you discuss each item with your employees, you may be surprised at how much you already know about your business.

When you have finished working through the form, you will have your shop's information laid out in black and white—in a logical and easy-to-understand format. This can make all of the difference in how you move forward with your advertising plan.

Patterns about your business will appear. Who your customers are and what they buy will come into focus.

#### **TAKE TIME**

Don't force answers. If you need to, take a day or two to think through the questions. Review some of your sales tickets. Ask employees. Maybe also customers.

If other questions arise as you are going through this process, add them to the form. The more information you have, the better. It's impossible to have too much information about your business as you build your advertising strategy.

The next article in the series in July will focus on targeting your advertising by using the information from this form.

#### **ADVERTISING BUSINESS PROFILE**

#### Sales

PRODUCT TYPE	PRICE RANGE	PURCHASED BY	
%	Under \$30 \$30-\$49 \$50-\$74 \$75+ TOTAL	Business Individual TOTAL	
Silk/Dried%	% +% +% =100%	% +% =100%	
Loose Flowers +%	% +% +% =100%	% +% =100%	
Arrangements +%	% +% +% =100%	% +% =100%	
Green Plants +%	% +% +% =100%	% +% =100%	
Blooming Plants +%	% +% +% =100%	% +% =100%	
Balloons +%	% +% +% =100%	% +% =100%	
Gifts	% +% +% =100%	% +% =100%	
Other +%	% +% +% =100%	% +% =100%	
Other +%	% +% +% =100%	% +% =100%	
Other +%	% +% +% =100%	% +% =100%	
<b>TOTAL</b> =100%	% +% +% =100%	% +% =100%	

### **Occasions**

EVENT						
PRODUCT TYPE	Sympathy Hospital	B'day/Ar	nn. Business	Holiday	Other	TOTAL
Silk/Dried	% +	% +	% +	_% +%	+%	=100%
Loose Flowers	% +	% +	% +	% +%	+%	=100%
Arrangements	% +	% +	% +	% +%	+%	=100%
Green Plants	% +	% +	% +	_% +%	+%	=100%
Blooming Plants	% +	% +	% +	% +%	+%	=100%
Balloons	% +	% +	% +	_% +%	+%	=100%
Gifts	% +	% +	% +	_% +%	+%	=100%
Other	% +	% +	% +	_% +%	+%	=100%
Other	% +	% +	% +	_% +%	+%	=100%
Other	% +	% +	% +	% +%	+%	=100%
TOTAL	% +	% +	% +	_% +%	+%	=100%

#### **Customers**

PURCHASED BY		
%		
Business	_%	
Individual +	_%	
<b>TOTAL</b> =100	)%	

GENDER			
Male	Female	Neutral*	
%	+%	+% =100%	
%	+%	+% =100%	
%	+%	+% =100%	

\*Ambiguous customer names and gender nonconforming customers.

AGE				
<20	20–29	30–54	55+	TOTAL
%	+%	+% +	%	=100%
%	+%	+% +	%	=100%
%	+%	+% +	%	=100%

- 1. What are my competitive strengths and weaknesses?
- 2. Do I want to change the type of business for my shop (different product/customer)?
- 3. What do I want to advertise?
- 4. Whom do I want to advertise to?
- 5. When do I want customers to buy?

**Questions:** 



summer is here. Right after Mother's Day, you should have started planning for your shop's summer operation. For some florists, procrastination is the name of the game. For others, the rush of everyday events forces them into a less-than-proactive stance.

Either way, important managerial issues can end up falling by the wayside. But planning for summer lulls in sales cannot be put aside. It is imperative for your shop's profitability.

#### **PAYROLL TOO HIGH**

Planning for the summer is one responsibility you can't afford to ignore. Every day you delay is like throwing money out of the window.

The biggest question in planning is how you're going to staff. If you're like most florists, you have too many employees during the summer months.

You may enjoy small "blips" of good business at Memorial Day or even Sweetest Day. But for most shops, Friday, June 1, marks the beginning of six straight months of non-holiday sales levels. That's a fact that bears repeating: Over half a year of non-holiday sales levels starts after Mother's Day has passed.

If you're going to make money during these non-holiday periods, your payroll has to drop along with your sales. The secret is knowing how much business you are likely to have and staffing accordingly. You can't keep the extra personnel that you have during holidays onboard all year.

You must operate lean.

#### THE FORTUNATE FEW

Did you know that many retailers ring up 25% or more of their annual sales around Christmas? Talk about a crunch. Fortunately, the average retail florist doesn't have to deal with quite so severe of a sales pattern.

Most florists see about 23% of their annual sales from holiday business. The balance—77%—is spread fairly evenly over the year. And even the holiday business generally is split between four major occasions: Valentine's Day, Administrative Professional's Week, Mother's Day and Christmas.

The holiday months of February, April, May and December are often thought to be exceptionally busy times. With the exception of December, however, only a few days of each of these months are truly busy. For the other days, sales come in at normal nonholiday levels.

Profitable florists know that they must staff their shops with just enough people to cover non-holiday sales. For the really busy days, they add on a few more staffers.

#### YOUR STAFFING PLAN

Creating a staffing plan should be the starting point for your payroll reduction efforts. It isn't as difficult as you might think. Just follow these steps.

## 1. Know your non-holiday sales volume.

On average, each month's non-holiday sales totals should equal about 6.4% of annual sales (77% of non-holiday sales divided by 12). Another way to look at this figure is by week. Divide 77% by 52 for a weekly total of 1.5%.

In other words, you will make approximately 1.5% of annual sales on any given non-holiday week. Or \$1,500 per week for every \$100,000 in total annual sales volume.

#### 2. Figure out your daily sales.

Each day of the week has its own sales pattern. For example, Friday may be your busiest day of the week. You always seem to need more help then.

A non-holiday staffing analysis will help you determine which days you need an extra hand and which ones you can dial back staff. Again, it is really quite easy to do.

First, gather your design sales data for four consecutive non-holiday weeks. Make sure the data is broken down by days of the week.

You can take any four consecutive weeks during the year that are not during holiday periods. However, avoid January and July because these two months are the lowest sales months of the year.

Most florists already have this information. The hardest part of this exercise is printing out 28 days' worth of data.

Next, set up a spreadsheet. Put the four weeks across the top and the days of the week down the left-hand side. Now fill in the blanks with your daily sales for each of the four weeks.

When you're staffing for the design area, make sure you use only design sales, not total sales. Also, make sure you do not include wedding volume or large parties in your daily totals. These are special planned events. It's easy to staff for these events because you

know in advance when they are going to happen.

Add all four Mondays to get the total for Monday design sales during that period. Divide that total by four, and you'll have your average Monday volume. Do the same for the other davs.

When you've finished, you'll have a great picture of what your design work is like for any given non-holiday week.

#### 3. Determine how much your designers can do.

Before you can finalize your design staffing plan, you need to determine your designers' productivity levels. What is a reasonable amount of production to expect in the design room anyway?

We've asked hundreds of florists that question, and the answer is always the same. You can expect a good designer to put out four average arrangements per hour.

If your average order size is \$40, each designer always have a should produce \$160 at way of looking retail prices in one hour. busy, even when Of course, no one can keep up that pace all day long. However, it's not unreasonable to expect a designer (doing nothing but design) to perform at that level for six hours a day.

The result? About \$960 a day from eight hours of design time. Next, divide 960 by 8 hours to get the average design production per hour. The answer is \$120 per hour. A very achievable number.

#### 4. Establish daily staffing levels.

Divide your average daily design sales by \$120 to get the number of design hours you need each day. For example, if your average Thursday design sales are \$1,440, you need to provide for 12 hours of design that day (1,440/120 = 12).

Remember, it isn't necessary to have only full-time designers. Design hours can easily be divided among two or three people who have other responsibilities.

#### **YOU CAN DO IT**

If you are a typical retail florist doing approximately \$350,000 in annual sales, you will probably only need one full-time designer for most non-holiday

Impossible? Not if you look at the numbers.

Of course, it's all well and good on paper. You may think, however, that it wouldn't work in real life. After all, your staff seems to be working hard. It's probably difficult to see where any cuts—let alone big ones—can be made. Just remember, work always expands to fill time.

Don't expect to see people standing around doing nothing as an indicator that you're overstaffed. People always have a way of looking busy, even when they're not. Rely on the numbers. Then, determine whom you want to keep on the payroll during the slower non-

holiday times.

People

they're not.

In reality, shops have some designers who are very productive and others who are not. Most shops track this information in their point of sale (POS) systems. Of course, everybody knows who the good producers are before you

The productive employees are the ones you want to keep, and the nonproductive ones you should let go.

even check the figures.

#### **MORE & MORE**

If you're not already hitting your payroll targets, there are two main ways to get more from your design room. One is the staffing issue we just reviewed. The other involves structural change.

First, you can replace or motivate designers until you have only highly productive people.

Second, you can change the way you do your work to make it more efficient. A combination approach will probably work best

#### **Production Designing**

In terms of boosting productivity, what works for the holidays will work during the off-season as well.

Standard arrangements are one such technique. Everyone is more productive when the shop is making multiple copies of each design. At a minimum, make two of everything. You'll soon see efficiency pick up.

You also may want to check the physical setup of the design room. Is everyone stumbling over everyone else? Are flowers easy to reach? A few small changes could make things work much more smoothly.

#### **Other Areas**

You can do a similar analysis for your drivers. Just use number of deliveries instead of number of designs produced on a daily basis.

Staffing sales is a little more difficult because the worker must wait for a customer to call or visit the shop in order to be occupied. Once again, numbers will help.

Check your system to see your sales per hour for each day of the week. Staff according to the amount of sales experienced at any given time during the day.

Remember that in all these areas it's better to use more part-time people than full-time people because they bring more flexibility to any staffing plan.

#### **DON'T WAIT**

The best time to plan for the future is here and now. If you couldn't even think about summer staffing until after May 13, at least make plans to get things under control by June 1.

Wait much longer, and summer may have already passed you by.

Planning may not be one of the most urgent things you have to do. It is, however, one of the most important. .



## Learning About Your Shop Let Your Customers Talk

t's one thing to know what you think about your business. It may or may not be the same as what your customers think about your shop. And like it or not, the customer's perception is the most important.

After all, it's what customers think that drives their decisions to buy or not to buy your products and services.



Information can come from your customers in a variety of ways. They can complain. They can compliment. They can talk to a third party, who relays the message to you.

However, all of these methods may be motivated by an emotional response. Whether that emotion was favorable or not, it will color what is being said.

Very few people will tell you exactly what they think face to face. Especially when it's negative. Most are afraid of hurting your feelings or don't want to put themselves in an uncomfortable position.

In order to get reliable information, you need to set up a situation where customers feel free to share exactly what they are thinking. No holds barred. That's where a focus group is made to order.

A small group of your customers gathers to talk about the shop, give feedback, or suggest new products, services or methods to promote your business.

By bringing together several customers at one time, you will gather much more information than talking to them individually. It's called synergy. (The whole is more than the sum of the parts.)

What one person says will spark a new thought or response from another. Energy is shared. Enthusiasm and ideas are kindled.

#### **FOCUS GROUP RULES**

Of course, there are a few rules that must be followed to ensure that the best results are obtained.

Owner/Manager Not Present.
 Sorry. It's not a party. Only a few people can be invited, and that doesn't include you. The customers

will be inhibited if the owner is sitting at the table.

You want their absolute best, candid comments. That means taking down any barriers that might obstruct the free flow of thoughts and ideas.

• A Neutral Host.
For the same reason
the owner/manager
should not be present, the meeting should not be conducted by an
employee. Hire someone who is not
associated with your shop. Someone
who has good communication skills
and can act as a moderator for the

- Not at the Shop. Different item from those above, but same thinking behind the idea. You want the customer to be as relaxed as possible. Pick a neutral setting. A restaurant is often a good place. Offer a free lunch as one benefit of participating.
- No Leading Questions. To get the discussion going, it's common in focus groups for the moderator to ask a question. Just make sure the question is open-ended—that it doesn't lead participants down a particular path.

If a very specific question is asked, the answer will in turn be specific to that question. Other thoughts about the product, service or idea being discussed may be squashed.

• Limit the Topic. Don't try to cover too much ground. Stick to one or two topics. Try to go deeper rather than broader.



#### WHOM TO PICK?

As important as having a focus group in the first place is making sure the participants are selected properly. Before you can do that, you need to define the purpose of the focus group.

If the topic is about building your commercial business, you will want to have commercial customers on the panel. On the other hand, if you're trying to build sympathy sales, you need customers in the room who have experienced the need for sympathy flowers.

Normally, the participants should be your best customers. Individuals who really know how you operate.

#### **TANGIBLE THANKS**

A thank-you and handshake are not enough. Even if you provide lunch.

You've used your customers' valuable time. Hopefully you've gotten some very valuable information. Make sure they know you're grateful.

Give everyone an arrangement delivered to their home or business. Let them know it's coming by asking where and when they would like it delivered. Make sure it's an impressive arrangement as well. You want these folks to be beaming about participating in your focus group.

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## HANDLING DISCOUNTS

very Friday afternoon you offer a "happy hour" special: You lower the price on your loose flowers. How do you account for the discount?

#### **WHY BOTHER?**

Isn't it easier and quicker to ring up the discounted amount and not worry about accounting for it?

Of course it's easier just to put the discounted amount in your point-of-sale (POS) system or cash register and leave it at that. However, here are two reasons you shouldn't.

#### 1. Cost of Goods Sold (COGS)

The first reason to ring up sales at full value is to keep your COGS correct. One of your most important management functions is making sure your designers put the correct number of flowers in each arrangement.

You tell your designer that the cost of flowers and greens in an arrangement should be at or under 25%. Your designer puts out a \$59.95 arrangement and keeps COGS on target at \$15.00.

Now you come along and discount the price by \$15.00 to \$44.95. If you look at the COGS (\$15.00) in relation to the new price, it comes out to 33%. Your designer looks like she really blew it, when in fact she did everything right.

Every sale needs to be rung up at full value. Even incoming wire orders. Otherwise, you will not know how well your designers are controlling COGS.

#### 2. How Much Are You Giving Away?

The second reason you need to ring up sales at full value and the discount separately is so you know how much your discounts are costing you. If all of your discounted sales are buried in a total sales number, you'll never know exactly how your discounts affect your business—in terms of sales or cost.

#### THE MECHANICS

Handling discounted sales properly is really quite easy.

It all starts with how your POS system or cash register is set up. Both keep track of two basic items: what is bought and how it is paid for.

The customer bought

an arrangement for \$59.95. He paid for it with a credit card. Simple. But you need to make sure that one of your methods of payment is discounts. Part of the payment for the item is made as

Take the example above. A \$59.95 arrangement is sold for \$44.95. How is it paid for? \$15.00 to the discount key and \$44.95 to the cash/credit card key.

At the end of the day, your summary sheet or Z-tape report will show the total amount of discounts you gave.

#### THE GENERAL LEDGER

a discount.

Where do you put the discounts on the income statement? Some florists make them a negative line item under sales. Other florists make them an expense item.

Floral Finance Business Services recommends that discounts be the last line item in the COGS section of the general ledger. That way, your total sales and your total expenses will not be distorted. And discounts will be rightfully a part of your COGS.

When your financial statements are prepared, your COGS for each sales category—especially arrangements—will be correct. Also, you can look at the discounts line item and see to the penny how much discounting you did.

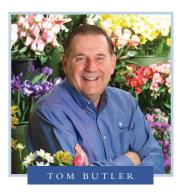
#### **CAUTION**

Discounting can move stale product or sell additional product. But use discounting cautiously. No business can be profitable offering too many discounted sales.

What you really need are sales at full price. However, when you do offer a discount, make sure you account for it properly.

#### Call for Nominations

2018 Tom Butler Floral Retailer of the Year



In 2015, Teleflora established the Tom Butler "Floral Retailer of the Year" Award to honor Tom Butler, Teleflora's past Chairman. Tom led Teleflora in its mission to serve as a trusted business partner, friend and innovator to independent retail florists across the U.S. and Canada.

The honorary award recognizes a retail florist and Teleflora member who best embodies Tom's legacy. In addition to running a first-class retail operation, award winners show the highest level of commitment and service to their local community, are dedicated ambassadors to the floral industry, and provide leadership and guidance to fellow florists.

Sound like someone you know? Nominate a retail florist today at www.myteleflora.com/nominate

Nominations are due by June 30, 2018. The winner will be announced at SAF's Annual Convention in September.

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# INQUIRIES & ANSWERS

#### **CASH FLOW**

"How long does it take for a new shop or a second shop to stop losing money and start paying its own way?"

#### There's no hard and fast rule.

Sometimes a shop will open its doors and sales will grow dramatically. It is only a matter of weeks or a couple of months before cash flow is positive. However, that is the exception. *Floral Finance* recommends that you not plan on taking a salary out of a new shop the first year. That may sound like a long time to go without a paycheck; however, experience says the money that is available will be needed for advertising, promotion and salaries for the employees.

A very important part of planning for a new shop is to set up a budget of all the expenses for the first 12 months. That's a fairly easy task. It is much harder to estimate your sales revenue because that is largely unknown. By knowing what your expenses are going to look like, you will at least have a worst-case scenario. It's not unreasonable to expect sales to be at a \$150,000 to \$200,000 annualized level by the end of the first year if you are in a good-size market.

#### **GIVING AWAY THAT OLD CAR**

"How much can I deduct as a contribution if I give my old car to a charity?" Usually, the blue book retail value.

You hear a lot of advertisements these days to give your old automobile to a charity. This can be advantageous to the donor and the charity. The donor gets the tax deduction and the charity gets the use of the vehicle or money when it is sold. If you sell the vehicle yourself, you'll have to deal with the hassle and probably won't get the blue book retail price. Similarly, if you do a trade in, you will only get a portion of the car's retail value. So, depending on your tax bracket, a deduction for the retail value could be attractive.

If the vehicle has been used as a personal car, you should be able to deduct the blue book retail value of the car. This is true whether or not the car is used by the charity or they sell it. If the charity sells the car, the amount it gets doesn't affect the amount you can deduct. The blue book value is still the key. If the vehicle was used for business purposes, much of its value probably already has been deducted for tax purposes through depreciation. In that case, you can only deduct any remaining undepreciated value.

#### **NORMS**

NON-HOLIDAY MONTHS



he number of non-holiday months between June 1 and Thanksgiving. It's a long time.

Way too long to keep paying for extra employee hours you really don't need. Many florists lose all of their profits because they keep unneeded employees on after the holidays, waiting for the next holiday to arrive.

Profitable retail flower shop owners/ managers set their permanent staffing to handle the non-holiday levels of sales. Then they add to cover the holiday needs. There is no other way to run a profitable flower shop.

Review your payroll. Including the owner/manager's salary, it should be no higher than 30% of sales, including taxes and benefits.

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