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QUICKTAKES
*Ideas You Can Put
to Work Immediately*

1 Break the Roadblock

Ever feel like you just can't seem to get going? The tasks are insurmountable? You don't know where to start?

If so, here's a tip from Mark Twain: "The secret of getting ahead is getting started. The secret of getting started is breaking your complex overwhelming tasks into small manageable ones, and then starting on the first one."

2 Progress

Understand progression. Vision drives mission, which defines your goals.

Your vision is where you want to be in three to five years. Your mission is what you want to accomplish in the next 12 months. Goals are what you want to achieve in the next two to three weeks.

Start with the vision. Make it bold. And build from there.

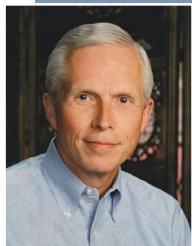
3 Perspective

What is your first thought when you receive a call from an unhappy customer?

- The customer wants to take it out on me; or
- The customer thinks I can help with a problem.

If you choose the former, you are on the defensive. If you choose the latter, you position yourself to save the day. It's your choice.

GUILT BY ASSOCIATION



On occasion, florists who are turned down for a loan will complain of unfair treatment. "I know why we were turned down," they say. "That bank has made bad loans to two other

florists in town. They just don't want to lend to florists any more."

Is it true? Do banks practice guilt by association? Almost never.

Florists who have trouble with a lender generally haven't proven their creditworthiness. A lender with a history of bad loans to florists is going to need even better documentation of your financial condition.

Good financial statements will be a necessity. In substance and form. The lender will expect to see your data in a familiar format. No receipts stashed in a shoebox. No unorthodox recordkeeping systems.

Check your receivables, as well. Are you being conservative about the number of outstanding accounts you expect to collect? A bank is likely to completely discount any accounts older than 60 or 90 days.

Your shop's recent history is also important. Analyze your cash needs over the last three years. If your borrowing has increased, why? If you don't answer that question, the bank will assume—perhaps correctly—that your cash position is deteriorating.

Having trouble getting a loan? You probably aren't being treated unfairly. Just work a little harder to prove your creditworthiness to the lender.

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Keeping Your Books

What's Necessary? What's Nice?



Managing a flower shop involves many responsibilities. Delivery, buying, inventory management and design, to name a few. To keep the shop running smoothly, you need a system in each area. A plan. Some sort of organization. This is also true when it comes to tracking the shop's financial affairs.

Finding the best recordkeeping system for your shop is a delicate balancing act. How accurate do you want your records to be? And how complicated of a system are you willing to maintain? The answers won't be the same for every shop.

TWO REASONS FOR GOOD BOOKKEEPING

Why bother to keep good books?

Partly, it's so that you can meet the business' tax obligations. Bookkeeping for tax purposes is fairly easy and does not require a lot of detail.

Another upside of good books? They will help you properly manage your business—hopefully to greater success and profitability. But this level of "good books" goes beyond monitoring for tax purposes. It is a more complex task.

PAYROLL

To manage your payroll, you not only have to keep track of each employee's pay, you also have to withhold the appropriate taxes.

Because payroll is so detailed, it's one area that is often best left to the specialists. You can easily—and inexpensively—retain an outside payroll service bureau. These operations range from local CPAs to national firms, such as ADP or Paychex. Fees are nominal and usually well worth the expense.

If you do decide to "go it alone," the payroll process involves several steps. Calculating each employee's gross and net pay. Writing the checks. Making withholding and tax deposits on time. And finally, filling out all the necessary tax forms and reports as they come due.

Fortunately, you don't have to do all of this with pencil and paper. If you want to handle your own payroll, computer software can perform the most tedious tasks for you.

DAILY SALES

Daily sales records allow you to make good buying decisions and focus your marketing efforts.

Of course, tracking every detail of every sale would quickly become too much trouble. The best approach is to break sales down into a few major categories instead of a bunch of little ones.

For the average retail florist, the minimum sales categories include silk and dried, cut flowers, arrangements, green plants, blooming plants, balloons, gifts,

service charges, wires out and delivery charges. Bigger shops might add a few more categories.

Use the same sales categories for your point-of-sale (POS) and general ledger computer program (like QuickBooks). Otherwise, you will have conflicting—or at least confusing—information.

Once set up, your POS will track your sales by day or any time frame you want. And when that is the case, your control has begun.

DAILY CASH

Making a sale is a good start, but you also must get paid. That's where daily cash control comes in.

Daily cash control can be done by your POS, if the software allows, or on paper. In either case, the information you keep is the same.

Start with your sales total for the day. This number should match the total sales from your daily sales report. Then, add sales taxes collected and house charge payments (also called amounts received on account, or ROAs). The sum is the amount you need to account for—for that day.

Sales, taxes and ROAs are paid for in a variety of ways. The most common methods are:

- **Cash/checks;**
- **Credit cards;**
- **Gift certificates;**
- **Discounts;**
- **House charges;**
- **Incoming wire orders.**

The total of these forms of payment should match the total of your sales, taxes and ROAs. If not, find out why. Have you taken some money from the register to buy something for the shop? If so, add a seventh category called “paid-outs” to account for cash taken from the drawer.

If your totals still don't balance after accounting for the paid-outs, you may have made a mistake. Incorrectly giving someone too much or too little change perhaps. Or you might have a thief in your midst. Either way, you need to know.

CHECK REGISTER

Your check register is the most important bookkeeping tool in your

shop. Your monthly statements from the bank must always balance to the penny with the ending balance in your check register. For this to happen, proper entries in your register are essential.

CHECKS

When you (or your accountant) set up your books, you need to determine which sales, expenses and other categories you will track. Each category is assigned a number and/or a name, called a general ledger (GL) code. All transactions will be debited or credited to one (or more) of these GL codes.

**ONCE SET UP, YOUR
POS WILL TRACK YOUR
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HAS BEGUN.**

If a single check covers several different items, you need to allocate the various amounts accordingly.

For example, suppose you write a check to a local discount store. If all you bought was pens, paper and staples, you would record the GL code for office supplies in your check register.

If you also purchased shears, smocks or floral tape, you would allocate a portion of the check amount to two different GL codes. One for office supplies and another for design supplies.

DEPOSITS

Deposits are also noted in your check register. And, like checks, deposits must be properly coded.

A wire service rebate check is credited to rebate income.

Checks from customers paying on their accounts are credited to accounts receivable.

ACCOUNTS RECEIVABLE

Unlike other retailers, most florists extend credit to their customers. Keeping track of those accounts receivable is no easy task.

Each day, you enter house charges into the computer program in order to generate invoices or statements. As payments come in, you enter those into the computer, as well.

For proper control, periodically print a list of current and past-due accounts. You need to see both how much the customers owe and how late they are in paying.

OTHER TASKS

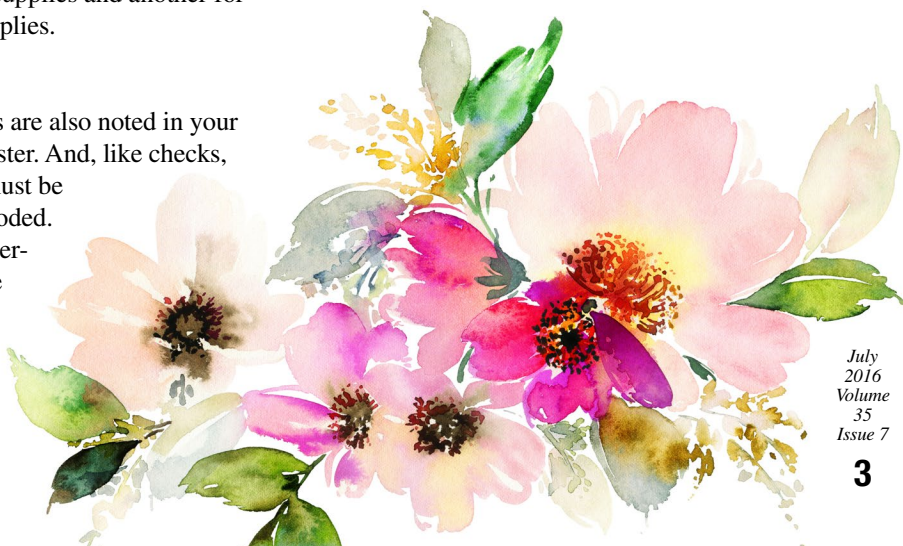
A few other bookkeeping tasks are also important.

1. Wire-Order Accounting. Wire-order accounting involves correctly logging the sales when you send or receive an order. You must also record the proper GL codes for each line item on your wire-service statement.

2. Inventory. Once or twice a year, take a physical inventory of merchandise on the shelves.

The physical inventory shows whether you have expensed the correct amount of product to your cost of goods sold (COGS) categories and have the right balance in your inventory categories.

3. Financial Statements. Most florists have a professional prepare their financial statements. However, if you do your own financial statements, this is an essential monthly task. 🌸





Setting Flower What About Seasonal



THE BIG QUESTION

On June 25, Sam designed and priced his featured arrangements for July. On July 1, his wholesaler dropped the prices on some of the flowers he had selected. However, it looked as if other flower prices would go up by a few pennies in August.

Sam wondered how he should respond.

Should he charge his customers less for a few weeks because the flowers cost him less? And then bump his prices back up if the wholesaler's expected August increases materialize?

Although these sound like simple questions, wholesale price fluctuations actually raise fairly complex issues for the floral retailer—issues that involve marketing, promotion and competition.

SUPPLY & DEMAND

The fresh flower market is a prime example of how supply and demand affect a free market economy.

Generally, the more of a product that is available, the lower the retail price for that product. And the greater the demand, the higher the price.

Supply and demand work together at any given time. If supply and demand for a product rise at roughly the same rate, the price will tend to remain the same. If supply increases and demand remains constant or falls, the price will drop. If supply is steady or falling while demand increases, the price will rise.

Soaring flower prices at Valentine's Day show the principle in action. Consumer demand for flowers increases dramatically in the days before February 14. If your retail prices remained at their non-holiday levels, you probably would not have enough product to meet that demand.

To bring some equilibrium to the market, retail flower prices typically rise along with the cost of supplying

the extra volume of product. The higher retail prices discourage some customers from buying—thereby bringing demand down.

Prices will continue to rise until the demand and the available supply are roughly the same.

The opposite effect happens during the summer months. Demand is low. Yet flowers continue to be produced. Because supply exceeds demand, retail prices are lowered to encourage more buyers.

COMPETITION

Competition is the grease that keeps the free market moving.

One shop decides to lower prices to attract more buyers. A competitor doesn't want to lose customers, so she drops her prices, as well. As prices fall, demand is pushed up.

What happens in a marketplace without competition? It's called a monopoly. With no competition, the monopolistic vendor can set prices as high as it wants. The only constraint is what the consumers will tolerate.

Competition makes markets work for the consumer. It keeps prices as low as possible.

QUALITY & SERVICE

In addition to keeping prices low, free, competitive markets foster higher quality and greater service.

To maintain or increase market share, suppliers try to differentiate their products. Higher quality or additional features attract new business. And customers will pay more for the added value.

Think about this principle in our industry. Most communities have many different fresh flower vendors. Quality of product, design and service are what differentiate one seller from another.

That's where traditional retail florists excel. You have the highest quality products—thanks to proper buying and chain-of-life techniques. Additional services, such as design, delivery, consultation and credit, meet the specific needs of customers.

Competition drives quality and service. Once again, the free market serves the customer well.

YOUR RESPONSE

Enough of the theory behind free markets, competition and supply/demand. How should a retail florist respond to fluctuating wholesale costs?

Think about how you set your retail prices. Most florists use pricing formulas of one type or another. Multiples are applied to the costs of various items to arrive at the retail price.

Example: You might double the cost of a container. Or use a 3.5X markup on fresh flowers.



However, rigidly applying such a formula year 'round would cause your retail prices to go up and down like a yoyo.

Customers Like Consistency

Whenever you consider raising or lowering prices, you must consider how customers will respond. Will they buy more or less? Will they go to a competitor to find a better price?

Higher quality or additional features attract new business. And customers will pay more for the added value.

As a rule, customers do not like surprises. Knowing that they can always find an arrangement of a certain size for \$49.95 is very reassuring. People like stability. Predictability. A benchmark they can rely on reduces anxiety and makes buying decisions easier.

Price Spikes

At certain times of the year—most notably Valentine's Day—florists simply cannot pass along the full increase in wholesale flower costs to their customers.

The resulting retail prices would be so high that the public wouldn't buy at all. Or even if they did buy this time, they would be so upset that they would not return to your shop the next time they needed flowers.

Instead of pricing yourself out of the game, it often makes sense to take a smaller markup at Valentine's Day and compensate with a slightly larger markup in the summer when wholesale prices fall.

Apply the multiple in your pricing formula to your "average" wholesale prices. Don't change retail prices every time your cost goes up or down by a few pennies.

With this strategy, you'll make a little less sometimes and a little more other times.

All in all, it's a good approach. Keep prices fairly consistent. Use average



wholesale prices for pricing your arrangements during most of the year.

Balancing Act

Of course, ultimately you don't set your retail prices. The customers do. They simply won't buy something that is priced too high.

If your competitors lower prices on their summer arrangements, you will probably have to follow suit. You can't keep your prices up when everyone else is going down. At least not if you expect to maintain your market share.

While few flower shops lower their prices dramatically in the summer, supermarkets often follow wholesale price fluctuations more directly.



If supermarkets are a real threat in your market, you might want to lower prices on small bunches of flowers. Offer several items that are clearly price-competitive with the local supermarket—even as you maintain your regular price strategy on arrangements, gifts and plants.

YOU DECIDE

Keeping your retail prices fairly consistent is a sound strategy.

However, unique considerations and extenuating circumstances might occasionally point your shop in a different direction.

Use your best judgment. Take advantage of favorable wholesale prices when appropriate. But be as consistent as you can. 🍀



SUMMER SPECIALS

Lower wholesale prices in the summer present some interesting opportunities to create a few targeted specials. Try these ideas on for size.

ROSE SPECIALS



The wholesale cost of roses plummets in the summer. Bunches of shorts may be as low as \$5.00 wholesale. That means a \$9.95 retail price on a bunch of 25 roses would still yield a double markup.

One florist we know ran a summer 1-Cent Sale. "Buy a dozen roses for \$9.99. Get a second dozen for 1¢, and we'll throw in an extra rose to show our appreciation."

All this shop did was recut the stems on the full bunch of 25 before putting them out in the cooler. Very little labor. They sold thousands at what worked out to a double markup.

BUNCH SPECIALS



Sell a special bunch of flowers for a special price. Be sure to rotate the products you select so customers can get something different from week to week. Using the best-priced product from your wholesaler each week will give the customer variety and keep your profit margins high.

You might even talk to your wholesaler about overstocked flowers. You get an extra special price. The customer gets a real deal.

SPECIAL ARRANGEMENTS



Use your design creativity to create a weekly special. Low priced, yet attractive. Don't redo the prices on all your arrangements. Just this featured one.

Sure, some customers will switch from a full-priced arrangement to the lower-priced special. However, others will come in to check out the special but will end up buying a more expensive design that better fits their needs. As long as the gains in new sales make up the difference, you win.





SUCCESSION PLANNING: TRAINING THE HEIRS



It's one thing to want to turn a business over to your children. It's quite another to make sure they are up to the task.

Even if the heir apparent is capable, you'll have to cover a lot of ground before the transition.

IT STARTS AT HOME

Much of the training takes place outside of the shop. In fact, it starts years before the children even begin to think about the business.

Attitudes and habits are formed from a very young age as a part of everyday life. A young person doesn't turn 20 and suddenly develop the skills of an owner/manager.

Some basics about running the business can be taught at the dinner table. You simply talk about what's going on at the shop.

Slowly but surely, your children are exposed to the many aspects of business management. Inventory. Buying. Care and handling. Controlling costs. Being profitable.

The children also will learn about people. Hiring. Firing. Training. Motivation. The characteristics that are important in a good employee.

Another big lesson is the power of a solid work ethic, and how increasing responsibilities should be combined with appropriate discipline and rewards.

Obviously, all of the training in the world won't be much help if the children don't want to take over the business.

If you always grumble about the business at home, what kids in their right minds would want to take on the same struggles? If you want them to be interested, you have to be positive about the business.

Of course, the positive talk must come from your real enjoyment of the work. You can't fake it.

Another key? Expose your children to leadership opportunities—whether sports, school, church or other activities.

Children should get formal education in business or floriculture. It's also usually good for them to get some work experience outside of the family business.

The more chances they have to exercise leadership when they are young, the more comfortable they will be leading when they are grown.

BUSINESS TRAINING

While your children are still in school, they can gain practical business knowledge by working in the shop. They also will gain a source of income, and you will gain a source of labor.

Give them as much experience as possible in every area of the business. Move them around from job to job, but make sure they start at the bottom.

While they are learning about the business, they will be building respect among your other employees.

Other employees will naturally be resentful if the owner's child takes over without having earned it. The flip side is also true. A considerable amount of respect will be built as employees see the child delivering solid service to the business before the transition.

When it's time for you to turn over management responsibilities, strong relationships will already be in place.

The other employees' expectations will be fulfilled, not altered.

OUTSIDE EXPERIENCE

Every parent would like to believe they can maintain a good relationship with their children while training them. Unfortunately, that is rarely the case.

Some conflict is natural as the parent/child relationship evolves. The progression toward independence can be stressful. Add in a business, and the stresses can be even more pronounced.

Don't carry all of the training responsibilities on your shoulders. Children should get formal education in business or floriculture. It's also usually good for them to get some work experience outside of the family business.

Requirements that might seem onerous when imposed by a parent will seem natural in a different context.

When your children come back to the family business, they already will be well along the learning curve. You'll be amazed at the level of maturity they have developed.

TRAINING ATTITUDES

After your children are working in the shop and you are ready to turn over responsibility, how do you maximize the results and minimize the contention?

Don't jump in to fix a problem that you have made their responsibility. If things aren't progressing, talk to them in private. Then, leave it to them to solve the problem.

Meet regularly to celebrate victories and discuss challenges. Together, set the strategic direction and make day-to-day tactical decisions.

When an issue arises, respond only to that issue. Don't make things worse by bringing up other past mistakes.

Finally, don't forget that teachers are remembered more for the success of their students than for their own contributions. Commit yourself to doing what it takes to help your children succeed. 🌸

HANDLING AN AUDIT— AND KEEPING YOUR COOL

A tax audit is probably one of the more unpleasant experiences you will ever have. You are guilty until proven innocent, or so it will seem.

It starts simply enough.

The return address on the envelope you receive says “INTERNAL REVENUE SERVICE.” Inside, the letter addressed to “Sir or Madam” informs you that an audit has been scheduled.

The date and time of the audit are indicated, along with the location (usually your business address), the name of the auditor, and what year(s) and/or activities are being audited.

By the time you put down the letter, you may feel like you’ve been called to the principal’s office.

WHAT’S INVOLVED

The subject of the audit might be your personal tax return, your shop’s return or even that of your qualified profit-sharing plan, if you have one.

Attached to the letter will be a list of the items the auditor may want to see. The bad news is that the list might include 30 or more items. The good news is that some items won’t apply to you.

WHY ME? WHY THAT YEAR?

Although some audits are done by random selection, most are the result of a computer “seeing” something on your return that looks questionable. Some piece of data that is out of line with the norm.

Often, an audit is triggered when your income or deductions change dramatically from your pattern in previous years.

Suppose you typically give little or nothing to charity. Then, one year you give away 10% of your income. That might raise a flag. Same thing if your business goes from no travel expenses to thousands of dollars in travel.

Whatever the reason, if you have been selected, there’s nothing you can do about it.

GET HELP

Although it will cost some money, get your CPA involved if you are audited.

Why? If your business return is being audited, the auditor may request the previous two years of the business’ tax returns—plus your personal tax returns for the same periods.

THE AGENT DIDN'T MAKE THE RULES AND CAN'T CHANGE A THING. SO TREAT THE AGENT WITH RESPECT.

Although you might call it a fishing expedition, the auditor would say he or she is just trying to establish trends and consistency. Either way, the scope of the inquiry could be much broader than you first think.

“But I know more about the business than my CPA does. Doesn’t it make more sense for me to meet with the auditor and answer any questions?” you ask. The auditor would answer yes. And that is precisely why you should let your CPA handle the audit. You know too much. You will almost certainly say too

much. You’ll undoubtedly open more doors than you should.

Let your CPA do the talking. You probably shouldn’t even be there. And while you’re at it, ask to change the location of the meeting to the IRS office or the CPA’s conference room. You certainly need to cooperate, but you don’t want to inadvertently bring up additional issues.

Your CPA has been through this many times. Use that expertise. It could save you a lot of time and trouble, not to mention money.

THE VILLAIN

Although you’ve undoubtedly heard stories about evil auditors, IRS agents do not sport a tail or carry a pitchfork. They are employees performing a job. They might live in your neighborhood. Their children might be classmates of your children.

The villain is the IRS code. Congress is responsible for creating the laws that govern our financial lives. The agent didn’t make the rules and can’t change a thing. So treat the agent with respect.

If you say anything negative at all about the audit, limit your comments to the process or tax code. The agent will know you are venting your frustration at the system—that it’s not a personal attack.

Be pleasant. Be kind. You’ll feel better. And things will go much more smoothly. ☁

FAMOUS FINANCIAL WORDS

“You can’t look at the intrinsic value of gold as you can a business. Gold doesn’t give you cash flow, and, at the end of the day, cash flow is what is important. Gold doesn’t give you dividends.”—Michael Lee-Chin

“There is never a time in a company’s history when cost control can be relegated to the back burner, but for a startup company, keeping costs low is a vital necessity.”—Felix Dennis

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INQUIRIES & ANSWERS LETTERS

DIRECT MAIL

“What’s the best source for an inexpensive (but good) direct-mail list for prospective flower buyers?”

Your own customer base.

There is no less expensive way to target prospects than compiling your own list.

As you compile your list, don’t forget to include the recipients of your deliveries along with your past purchasers. These individuals will be better prospects than the names on any list you could purchase from a broker.

Using this approach means that the names on your list are qualified flower lovers. They are in the right part of town. They know your products and services. They are—in a word—perfect.

Work to build your in-house list. Go beyond your house charge accounts. Put a form at the front counter, asking walk-ins to provide their contact information.

IN BALANCE

“Does a balance sheet always balance?”

Always.

To non-accountants, this can be confusing. What about a company that owns more than it owes? Or another that owes more than it owns? How could either balance?

Fortunately, this is one mystery that really is not too mysterious. If you forget about accounting and just use your common sense, you can see the answer.

On one side of the balance sheet are your assets. Cash, inventory, receivables, furniture, equipment and vehicles, among others.

On the other side are your liabilities. For example, accounts payable, accrued payroll, accrued taxes and promissory notes.

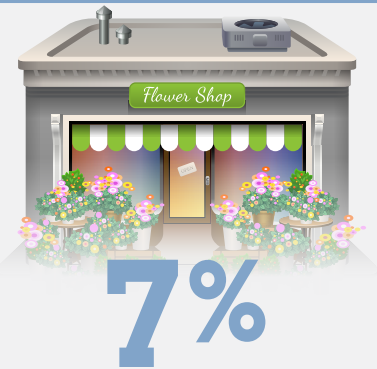
The reason the balance sheet always balances is that there is one other kind of liability. It’s called “owner’s equity.” This is what the business owes the owners—either seed money the owners put into the company or earnings that have not yet been paid out.

The total owner’s equity is always the exact amount needed to make the liabilities and assets balance. It could be negative if the shop is losing money.

Assets equal liabilities plus owner’s equity. Always.

NORMS

FACILITIES COSTS



The facilities costs of the average retail florist run approximately 7% of sales. Facilities costs include rent, utilities, repairs, maintenance and insurance.

If you own your building, use a fair market rental rate instead of the monthly mortgage payment to calculate total facilities costs.

Floral Finance recommends that facilities costs not exceed 10% of sales if you are going to achieve a good profitability target. But most well-run shops can actually do better than that.

Source: Floral Finance Business Services

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