



## INSIDE THIS ISSUE

|   |        |
|---|--------|
| <b>FROM THE PUBLISHERS:</b> <i>Your Mind: A Powerful Tool</i> .....                               | Page 2 |
| <b>EXPENSE CONTROL:</b> <i>Ramp Up Your Bottom Line</i> .....                                     | Page 2 |
| <b>SUCCESSION PLANNING:</b> <i>Power Sharing—The Parents' Role</i> .....                          | Page 6 |
| <b>BY THE BOOKS:</b> <i>Paid Outs or Petty Cash?</i> .....  | Page 7 |
| <b>INQUIRIES &amp; ANSWERS:</b> <i>Critical Information; Contract Employees and the IRS</i> ..... | Page 8 |
| <b>NORMS:</b> <i>Telephone Expense</i> .....  | Page 8 |

## QUICKTAKES

*Ideas You Can Put  
to Work Immediately*

### 1 Rush Deliveries

When customers plead for unusually fast delivery of a last-minute order, you should say “yes” whenever possible. It’s the kind of response they’ll appreciate now and remember later.

However, don’t be shy about charging extra for rush deliveries. Customers who want special services ought to be willing to pay for them.

### 2 Time Clock

Tracking hours is an extra administrative chore for both you and your employees. To simplify things, consider installing a time clock (or use a “time clock” program on your computer).

Employees will no longer have to remember to write down their hours every day. Reported hours will be accurate, and you will be certain to pay overtime when it is earned.

### 3 Part-Time Employees

Hiring more part-timers will let you staff down for slower days, while still maintaining a qualified labor pool for peak times.

When things are busy, you can increase part-timers’ hours for a few days. You will have talent “on tap.” And you can staff up without having to pay overtime.

## YOUR MIND: A POWERFUL TOOL



The mind has amazing powers. When your attention is focused on positive outcomes, your mind is constantly working toward those ends.

Too often, we hamper our progress by thinking negatively about our situation. Instead of saying "I can do that," we plant a seed of doubt with a negative thought.

That seed of doubt can easily grow into our focal point. And when doubt is in full bloom, we usually end up failing.

Julie Ness Bell, Ph.D., a motivational speaker, suggests a little game to help you learn how to keep your mind on the positive side. Put 25 pennies in one pocket. Each time you think a negative thought, take one penny out and move it to another pocket.

At the end of the day, count how many pennies you've had to move and how many are left in the first pocket. Some people might move all of their pennies by lunchtime.

Do this for several days. Begin to identify negative thoughts as they are developing and replace them with positive thoughts. When you do, the number of pennies you move into the "negative pocket" will decrease.

As you become more aware of your "thought life," you will be able to change poor thought patterns into something more positive. The result will be a powerful mind that is working for you instead of against you.

Paul Goodman  
Editor

*Paul Goodman can be reached at [plgoodman@aol.com](mailto:plgoodman@aol.com).*

# Expense Control

## Ramp Up Your Bottom Line



How would you feel if someone walked in this afternoon and purchased \$1,000 worth of your beautiful flowers? Someone you weren't expecting. Someone who paid in cash on the spot.

The answer is obvious. You'd be ecstatic. That's a big sale. A great and unexpected boost to your revenues. If you are achieving a 10% net profit, the sale would bring \$100 straight to your monthly bottom line.

If you meet such a customer, congratulations!

If not, you can gain the same boost to your business in another way. How? By cutting \$100 worth of unnecessary expenses.

A little bit of cost control can have a substantial impact on a flower shop's profitability. And, in most businesses, there are savings to be had.

### PRIORITIES

Instead of examining the hundreds of little expenses your shop has, focus on the handful of truly big bills you pay. This includes moderate expenses that repeat month after month, adding up to a substantial amount over time.

Small improvements in the big areas can quickly produce big results. In this issue of *Floral Finance*, we will zero in on the five biggest areas: payroll, facilities, advertising, insurance and vehicles.

Every one of these categories represents a significant expense in your shop. Overspending in even one area could cause real damage to your bottom line.

# FIVE BIG EXPENSES



## PAYROLL



## FACILITIES



## ADVERTISING



## INSURANCE



## VEHICLES

Let's look at the first two areas on the list: payroll and facilities. How can you be certain your payroll and facilities expenses are reasonable?

### NO QUESTION



One of the two largest expenses in a flower shop is cost of goods

sold (COGS). It's right up there with payroll. COGS can easily represent 35¢ of every product sales dollar, even when you are controlling costs well.

This article does not look at COGS, because that category requires special attention. Controlling COGS is mostly a function of two things. First, your pricing formulas. And second, how well you track your perishable products during the design process.

### PAYROLL

Putting payroll in the number-one position is no accident. It's the largest non-product cost you face. It's also an area in which many florists overspend.

**Too Many Managers.** Managers cost more than other employees. That's why you need to keep expensive managerial salaries to a minimum.

If you have no more than seven employees, a single person can manage all of the shop's operations.

**Overstaffing.** Tie the size of your staff to the volume of sales you generate. It seems simple, but many shops don't follow this rule. The staff is kept artificially high year 'round to cover the workload during the relatively small number of floral holidays.

**Design Organization.** If you're still producing one arrangement at a time, change your ways. There's no reason a high-wage designer should perform every step on every arrangement.

Sell featured designs. Special arrangements that you promote and produce in quantity. The designer comes up with the design. Less-skilled arrangers put the duplicates together.

You also should set productivity standards. For regular work, it's reasonable to expect a designer to produce four average arrangements per design hour worked.

### FACILITIES

You might think there is little you can do about your facilities expenses. Rent is a given. You're stuck with whatever is in the lease.

Not true.

**Plan Ahead.** No lease lasts forever. If your lease has another two years to run, do some homework. Be thinking now about what you will do at the end of the term.

Are your rental rates in line with those of comparable buildings? If you learn that your landlord is charging an above-market rate, set up an appointment to discuss it.

You have more leverage in this situation than you might think. Landlords hate to lose tenants. The cost of finding a new tenant and remodeling to suit their needs is enormous.

If the landlord knows you plan to shop around for a lower rent, he or she might be willing to renegotiate.

**Up Front.** If you are at the end of a lease term or opening a new shop, be especially diligent in evaluating your rent. A savings of even \$50 a month will add up to \$1,800 over a 3-year lease term.

Also look at other charges for which you may be obligated. Utilities, for example. Which ones will you have to pay?

If the lease requires you to pay utilities, get a realistic estimate of what those costs will be. Call your utility suppliers. They can provide high, low and average costs for past tenants at the address.

Don't hesitate to negotiate. Perhaps your landlord would be willing to bear responsibility for one or more of the bills. Or maybe you can find another landlord who will be willing.

**Rent's Not All.** Rent and utilities are just part of your overall facilities expenses.

*continued on next page*

### SET PRODUCTIVITY STANDARDS.

For regular work, it's reasonable to expect a designer to produce four average arrangements per design hour worked.

# Expense Control

*continued from page 3*

Other related facilities costs? Insurance. Furnishings. Fixtures. Evaluate how much you are spending in each of these areas.

Do you really need to buy a new sales counter? Could repairing and repainting the one you have do the trick?

Are you wasting electricity by failing to maintain your cooler in good working order?

What about insurance premiums? Did you shop around for the best deal? Or just accept the first policy an insurance agent showed you?

## GOT IT?

### PAYROLL AND FACILITIES.

Two very big areas. Two chances to make significant expense reductions. Don't go too far, though.

Spend enough so that you can provide good service to the customers and a pleasant environment to the staff. But not so much that you unnecessarily cut into your profits.

### ADVERTISING

If you're going to grow—or even survive—you must continually seek and build new business.

Doing so takes advertising. With the dizzying array of options now available, it's more important than ever to be sure you are spending your advertising dollars wisely.

Four steps can help you do just that.

#### 1. Have a Well-Founded Goal.

Only when you know what you want to accomplish can you determine how to best advertise. Ask yourself several questions:

- Who are your current and likely customers?

#### • What kinds of products appeal to them?

• What is the average order size for the various products you sell? This data helps you select attractive price points to promote.

• How much of your business is occasion oriented and how much everyday? This will help you time your advertising expenditures.

• Are you a young shop still trying to make a name in the community or a well-established one that has already staked out a place? Young shops generally need to spend a little more on advertising than mature ones.

If you haven't gone through this kind of analysis, at least some of your advertising dollars are probably being spent in the wrong places.

#### 2. Set an Advertising Budget.

An advertising budget will keep you on track throughout the year. The industry average is 3.5% of sales.

You also must roughly determine when you will spend those dollars. If your advertising budget for the year is \$10,000 and you have spent \$9,000 by July, you will be faced with two bad choices later in the year: Should you go over

budget during the holidays? Or stay within the budget and risk hurting your sales?

#### 3. Evaluate and Compare.

Next, track the results of each type of advertising.

Newspaper coupons are easy enough. You will immediately see the response.

For every other order, your salespeople should ask callers and walk-ins what prompted them to think about your shop. Your yellow pages ad? A direct mailing? One of your emails? Your sign or display window?

With good information, you can evaluate and compare the effectiveness of the various expenditures.

#### 4. Make Adjustments.

As you uncover which techniques are and aren't working, you will probably need to adjust some of your plans.

For example, you may see that the \$7,000 you spent on yellow pages ads just isn't worth it. However, every email promotion to existing customers has been a clear winner. If so, you might want to cut back to a slightly smaller yellow pages ad and plow the savings into additional targeted emails.

Effective advertising is a matter of making continual adjustments. Don't fall into the trap of repeating the same mistakes over and over again.

### INSURANCE

An individual premium payment for an insurance policy may not seem like a huge amount of money.

The problem is that a business owner has several different insurance policies. And the premiums come due month after month after month.

If you aren't careful, you may be paying for duplicate, unnecessary or excessive coverage.

Your best bet is to work with a reputable and skilled insurance agent. One who is familiar with your business in particular and with business insurance in general. He or she can make sure you get all the coverage you need, *but only the coverage you need*.

There are four basic types of protection.

#### 1. Workers' Compensation.

You may not be able to do much to save here.

Most states require workers' compensation coverage. However, private insurers are increasingly shying away from offering these policies. Too much risk. Too little profit.

Consequently, many states have forced businesses into a state insurance fund. If you have options, pursue them. If not, you'll have to look elsewhere for insurance savings.

## 2. Vehicle Insurance.

Again, a good insurance agent can be a big help here. You need two basic types of coverage. First for the vehicles you own. Second for vehicles you don't own that are used to make deliveries or run errands. (This is called "non-owned vehicle insurance" and is a must if any employees use their personal vehicles on shop business.)

The trick to saving money here is to tinker "around the edges"—accepting a little more risk without giving up coverage you really need. By tweaking deductibles and coverage limits, you can get a policy that provides adequate protection at a reasonable price.

For example, you should never eliminate "non-owned auto" coverage. It's essential to protect you in the event an employee delivering flowers in a personal auto has an accident.

## 3. Business Owner Insurance.

Most of the basic insurance coverage you need will be bundled together in a single policy. Liability. Loss of income. Theft. Fire. And many others. It's called a business owner's policy (BOP).

From the insurance company's perspective, a flower shop looks pretty safe when compared to many other businesses. As a result, BOPs for flower shops are relatively inexpensive.

Even so, go over the coverage line by line with your agent. If something doesn't fit your business, see if you can remove it and save some money.

## 4. Health Insurance.

This is the one that's getting all the publicity these days. What can you do to save money on health insurance?

**Restrict Coverage.** Few employers can afford to offer 100% family coverage to all of their employees. It's just too expensive these days.

Instead, you might decide to cover the employee only. Or set a dollar amount that you will pay. Maybe \$100 to \$125 per month. Any premium costs above that become the employee's responsibility.

Research by *Floral Finance* over the years has consistently shown that approximately 75% of florists offer no health insurance benefits at all.

However, the Affordable Care Act (ACA) changed the rules. Check with your agent to understand what rules apply to your business this year. And be aware that the requirements may change again next year.



**YOU SHOULD NEVER eliminate "non-owned auto" coverage. It's essential to protect you in the event an employee delivering flowers in a personal auto has an accident.**

**Share the Risk.** As a small business, you may no longer be able to bear the risk of rising insurance costs alone. Inform your staff that you will increase your annual health insurance coverage each year by up to 5%. If premiums increase more than that, they have to pay the difference.

The staff will see that you are paying more on their behalf. Yet you will be protected from huge cost increases.

**Shop Around.** As expensive as health insurance is, it's still a fairly competitive field. It pays to shop around for the best deals.

However, it's not like it used to be. In some markets the ACA and the exchanges have unintentionally winnowed down the competition.

### VEHICLE EXPENSES

Every flower shop has to deliver its products efficiently and professionally.

However, you also have to watch vehicle-related expenses. These expenses can get away from you.

Look for three potential problems in particular:

**Too Many.** Some shops have more vehicles than they really need. Instead of an extra van that is used sparingly (holiday times and as a backup on busy days), try a different plan.

Base the number and size of your vans on your delivery volume, day in and day out. When holidays, simultaneous weddings or other peaks require more horsepower, make alternative arrangements—for example, renting an extra van for a couple of days.

**Too Nice.** As your van travels around town, make sure it projects a good image for the shop.

That doesn't mean you have to replace your van every couple of years to stay up-to-date. You don't need the newest or most expensive vehicle.

A nice paint job, your name in attractive, readable lettering and regular car washes will be enough to give your shop the right presence on the road.

**Too Little Maintenance.** No van will last forever. With good preventive maintenance, however, you can prolong the vehicle's life.

For starters, change the oil every 3,000 to 5,000 miles. It's the cheapest and most effective maintenance you can do. Then, follow the manufacturer's suggested maintenance schedule for other services.

A few dollars now can save big repair bills later.

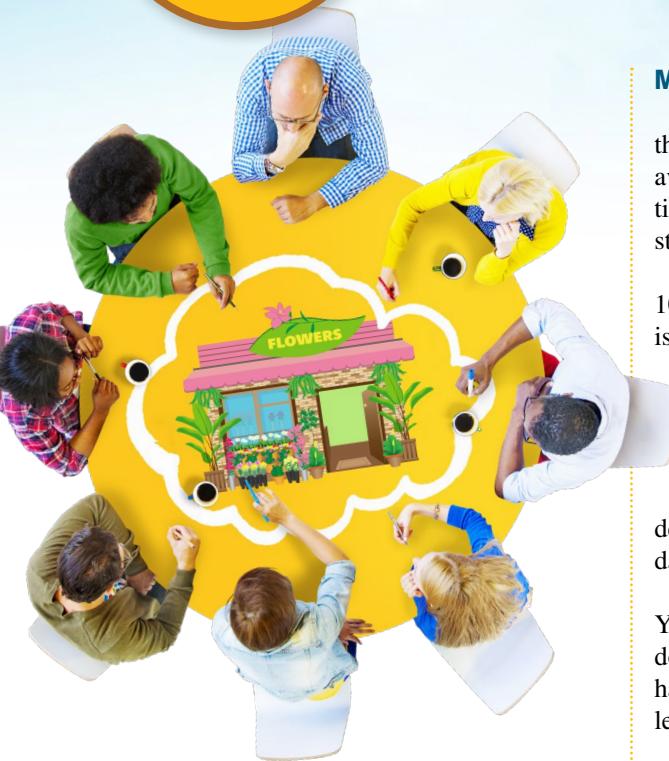
• • •

It's exciting to see sales increasing. Selling flowers is what you love to do. When your abilities and a customer's needs mesh, that's fun.

The reality, however, is that you are in business to make money. And increasing sales is only one part of that. You also have to control costs. To get your shop's bottom line where it ought to be, you have to focus on how you spend money. ♡



# SUCCESSION PLANNING: POWER SHARING—THE PARENTS' ROLE



**A**s your succession plan is put into action, you likely will experience a period of time when power is being shared by both generations—and maybe even multiple generations. This could be a time fraught with conflict or, better, a time of real opportunity.

The key to a smooth power transition is to understand clearly the role of each party. Who is responsible for what, and how should they behave?

Usually, at first, parents have the greatest control and influence of the process (i.e., the most power). The following suggestions will help parents use their power wisely.

## PLAN/ORGANIZE THE DEVELOPMENT PROCESS

Plan the various learning experiences you want your successor(s) to go through. Make sure each step is completed.

Be flexible. Some steps will take longer than others. Your child will handle some tasks with ease, while other tasks may require extra time and learning.

## MAINTAIN CASH FLOW

You are responsible for ensuring that the necessary financial resources are available to make the succession transition happen. This is not a time to be struggling with meeting payroll.

Your energy and attention must be 100% focused toward the transition issues.

## DELEGATE REAL RESPONSIBILITY

Power sharing means sharing. Give your children enough space to exercise their authority and decision-making capabilities on a daily basis.

It's like teaching children to walk. You want to be there to make sure they don't take a serious tumble, but you have to let go of their hands so they can learn to walk alone.

## DEVELOP YOUR COACHING & MENTORING SKILLS

Listening is more important than ever during a succession transition. Don't be too quick to voice advice or solutions.

For many leaders, this step is especially difficult. Having been in charge for many years, you may automatically want to provide solutions and solve problems. But this does not allow your heirs to grow into their new role.

And, keep in mind, they may not do everything exactly the way you would.

That is okay as long as the end result is solid.

Where you can help the most is in goal setting rather than forcing your way to be the only way to achieve those goals.

## REIN IN THE CRITICISM

Don't be overly critical. Most people know when they have made a mistake. Emphasizing someone's errors is not likely to garner enthusiasm to carry forward and find better solutions.

## INVOLVE OUTSIDE HELP

Outside mentors, consultants, your CPA and non-family business owners can be brought into the picture. Basically anyone who is trusted, experienced and outside the family may help provide a clear perspective.

It's easy for children to confuse "managing" and "parenting." In their attempt to pull away from you as a parent, they may reject your legitimate managing. An outside perspective can be highly beneficial in such situations.

• • •

As power is shared, conflict is part of the process due to the different perspectives of the parent and child. The chart below from Dr. Craig Aronoff, CEO, The Family Business Consulting Group in Marietta, Georgia, summarizes some of the differences. ↗

## SUCCESSION PERSPECTIVES

| PARENT   | OFFSPRING   |
|--|---|
| Conservative                                   | Aggressive  |
| Risk-adverse/<br>security-minded               | Risk-takers   |
| Controlling, fear<br>of losing control         | Wanting control   |
| Comfortable<br>functioning in<br>familiar ways | Growth-oriented;<br>Change-oriented;<br>Uncomfortable with<br>business as usual |
| Managing the past                              | Managing the future   |

# PAID OUTS OR PETTY CASH?

**R**unning a flower shop sometimes requires small, quick purchases. Pizza for the design crew. Gas for the delivery van. Or an inexpensive product you decide to buy from a vendor who walks in the door.

In each case, you need a little bit of money. It's too much trouble to write a check. So, you fork over cash.

But where does that cash come from? And how do you account for it? Most shops answer this question in one of two ways—paid outs or a petty cash fund.

## PAID OUTS

Paid outs are cash “loans” taken from the cash register or your point-of-sale (POS) system.

On your way out to get a pizza, you grab \$20. When you return, you put the change back in the drawer. What could be simpler?

The problem is properly accounting for the paid out. Putting the receipt in the cash register along with the change is the first requirement.

When you do, the person who totals out the drawer will know exactly what happened and what to include on the daily cash form.

Without the receipt, the drawer will appear to be short of cash. Was the “missing” cash used for a purchase? Was it stolen? Did a customer receive too much change?

A receipt stops the guesswork. And ensures that no one will be wrongfully accused or questioned.

## PETTY CASH

A petty cash system is similar.

Instead of taking money out of the register, however, you get the money from a petty cash fund. Usually, the petty cash is stored in a box or bank deposit bag in the office.

After a cash purchase, any change is returned to the petty cash fund, together with the appropriate receipt.

When the cash gets low, you write a check to the bank for the amount needed to replenish the fund. For accounting purposes, the check is coded against all of the general ledger codes represented by the receipts.

## BEST OPTION

Both systems work well. Both allow for accurate accounting. The difference is control.

A petty cash fund gives you greater control. One person can be put in charge of making the disbursements and ensuring that receipts are returned.

Paid outs are a little looser. Anyone on the staff can take cash out and place a receipt in the cash drawer.

As long as everyone is honest, paid outs work just as well as petty cash. Unfortunately, not everyone is honest. The larger the shop, the more opportunity there will be for abuse of paid outs.

## POS SYSTEMS

Most POS systems (including Teleflora's) have a pre-programmed function to help you properly manage paid outs. This will save some steps when you balance the cash drawer at the end of the day.

It will also make the accounting easier and more accurate. Just another benefit of the industry-specific software provided by Teleflora.

So, if your shop is small and you can control all of the cash expenses (no “unauthorized” pizza, for example), the paid-outs system is probably better.

Larger shops with numerous employees

making small buying decisions will probably need to move to a petty cash fund. It ensures better control.

Either way, make sure you get a receipt for everything. Never spend cash without proper documentation. ☺

## FAMOUS FINANCIAL WORDS

“A budget is telling your money where to go instead of wondering where it went.”—John C. Maxwell

“For the engine which drives enterprise is not thrift, but profit.”—John Maynard Keynes

“It doesn't matter if you're rich or poor, as long as you've got money.”—Joe E. Lewis

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

## CRITICAL INFORMATION

*"Why do I need monthly financial statements?"*

### To maximize your profits.

Too many florists are getting too little information to run their businesses properly. If you are not receiving monthly financial statements, you're one of those florists.

Annual or quarterly statements may be enough to calculate how much you owe in taxes. But neither provides nearly enough information for you to control your operation and maximize your profit.

Every day, you make decisions that affect your bottom line—either positively or negatively. The products you buy. The wages you pay. The prices you set.

You have to see how all of these decisions are impacting your profitability. Intuition isn't enough. Good documentation shows where you are doing well and where problems are developing.

To do the job properly, financial statements have to meet two goals. One is accuracy. The financial transactions must be sorted and summarized in a way you can understand and use.

The second goal—timeliness—is just as important. A three-, six- or 12-month lag between the time a financial event occurs and the time it appears on paper is too long.

## CONTRACT EMPLOYEES AND THE IRS

*"Am I required to file any tax forms on contract employees?"*

### Maybe.

Retail florists often use contract employees to make deliveries—at least during the holidays. Whether you have to report these payments to the IRS is a function of how much money is involved.

The magic threshold is \$600 over the course of the year.

If you pay a contract employee \$600 or more, you must file a Form 1099 with the IRS, just as you file W2s on your regular employees. That will keep you out of trouble with the IRS.

In fact, you should file a 1099 on any individual you paid at least \$600 if they were not working on behalf of a business. The only exception to this rule is attorneys. You are supposed to file a 1099 with the IRS for any payment to an attorney, no matter the amount.

## NORMS

### TELEPHONE EXPENSE



T

Telephone expense as a percentage of total sales averages about 1% in most flower shops.

You might assume telephone expense will be a big item because so many sales come in over the phone. Not so.

This is partly because many wire orders are now transmitted over Dove.

If your telephone expense is greater than 1% of total sales and your total sales are above \$200,000, consider dropping one or more phone lines. Also check to see if your long distance rates are competitive.

Cell phones will add to the total. But even with these devices, telephone expense will not make or break you.

Source: *Floral Finance Business Services*

*FLORAL FINANCE* is published 12 times a year by Teleflora LLC

Annual subscription rate is \$89.95 domestic and \$129.00 (Canadian) in Canada.

Copyright 2016 by Teleflora LLC  
All rights reserved.

Subscribers may use articles in other publications providing source is cited. Since every situation varies, appropriate legal or accounting advice or other expert assistance should be sought from a competent professional who understands that specific situation.

Consequently, although published material is intended to be accurate, neither *FLORAL FINANCE* nor any other party will assume liability for loss or damage as a result of reliance on this material.

Opinions expressed are not necessarily those of Teleflora.

*Please address your inquiries to the Editors of *Floral Finance*®,  
Teleflora LLC, 3737 NW 34th St.,  
Oklahoma City, Oklahoma 73112.*