



## INSIDE THIS ISSUE

<b>FROM THE PUBLISHERS:</b> <i>Six Lines, No Waiting</i> .....	Page 2
<b>MARKET SEGMENTATION:</b> <i>Do You Know Your Target?</i> .....	Page 2
<b>EXPENSE CONTROL:</b> <i>Good Choices</i> .....	Page 4
<b>SUCCESSION PLANNING:</b> <i>Earning Legitimacy</i> .....	Page 6
<b>BY THE BOOKS:</b> <i>Pricing Loose Flowers</i> .....	Page 7
<b>INQUIRIES &amp; ANSWERS:</b> <i>Change Your Perspective; Security</i> .....	Page 8
<b>NORMS:</b> <i>Accounting Expense</i> .....	Page 8

## QUICKTAKES

*Ideas You Can Put  
 to Work Immediately*

### 1 Be a Cheerleader

You don't have to buy a pleated skirt or get pom-poms. You just have to recognize the importance of bringing enthusiasm into your shop. It's a part of leadership.

Share your vision for the shop. Tell stories of how customers have benefited from your flowers and services. Employees will sense your joy and will work with more dedication.

### 2 Safety First

When was the last time you checked your fire extinguishers? Are they out of date? Do your employees know how to use them?

What about smoke detectors? If they are battery-powered, when did you last change the batteries?

An ounce of prevention ...

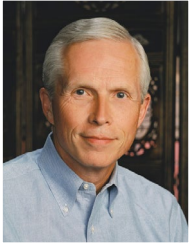
### 3 Add-on Sales

Never forget: The quickest way to increase revenue is to make add-on sales to customers who are already buying from your shop.

This doesn't require being pushy. Just recommend enhancements that would increase the customer's satisfaction. An added balloon. A card that would reinforce the flowers' message.

Most shops can increase sales by 5% to 10% with this technique. All it takes is consistently asking purchasers a few questions.

## SIX LINES, NO WAITING



If you're thinking about installing an "automated attendant" phone system, press "1." If the thought hasn't crossed your mind, press "2." If you're not so sure you

like the idea, read on.

Automated attendant systems are very common. Callers are greeted by a machine that asks questions, gives information, routes calls and takes messages. As popular as these systems are, their impact is often less than spectacular for flower shops.

There's nothing more frustrating than getting caught on a computer merry-go-round when you really need to talk to a live human being.

Still, the thought of installing a call-processing system may be tempting. No more rushing to answer a constantly ringing phone. No need to repeat basic information.

Don't do it. You probably would lose more than you would gain.

Some customers want to talk directly to a person. Especially given the highly personal nature of your business.

Your customers may be more comfortable communicating directly. A canned voice on the other end of the line might prompt them to call elsewhere.

A call-processing system is especially frustrating to customers who have questions or complaints. They deserve prompt, personal attention.

Sure, an automated system might make your life easier. But at what cost to your customers, your reputation and your business?

Paul Goodman  
Editor

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

# Market Segmentation



**W**hat's your market position? How about your niche? Your market segment?

The terms may be different, but they all mean the same thing. When you segment a market, you divide it into groups of customers and potential customers with similar purchasing behaviors. Then you tailor your promotions, products and services accordingly.

### AN EXAMPLE

Automobile manufacturers have successfully segmented their market for years. Two variables—size and cost—create four separate market segments: expensive large cars, expensive small cars, inexpensive large cars and inexpensive small cars.

The manufacturers offer several vehicles in each segment for customers. No manufacturer tries to make a car that will be all things to all potential buyers. It's not possible.

In the same way, segmentation should be the foundation of your overall marketing strategy.

If you don't know which customers you're after, you almost certainly will end up with ineffective advertising

that doesn't speak particularly well to anyone. You also may find yourself selling products and services that don't fit your customers' needs. If so, those customers will be ripe for the picking by a savvy competitor.

Market segmentation is simple. Analyze the market. Find a group of customers you want to serve. Work to win the group's business and loyalty.

### DIVIDING YOUR MARKET

There are six major ways to segment markets.

#### 1. Geographic

National businesses segment their markets by region, state or city.



Retail florists work on a much more local level.

Typically, florists serve a specific part of town. Although delivery pools make it possible to serve larger areas, most customers still frequent shops in the neighborhoods in which they live or work.

Geographic segmentation is especially important when you're trying to pick a location for your shop. Where will you best be able to serve your chosen clientele?

## 2. Demographic

Demographic factors you may want to consider include customers' age, education, gender, ethnicity and household size/type.

Of the various demographic attributes, age is perhaps the most essential. If your niche is young families, for example, it will be important to know where the biggest concentration of those customers can be found.

## 3. Socioeconomic

Social status and income level are important factors in determining consumers' buying patterns. Especially with a product like flowers.

Floral purchases, particularly more expensive arrangements, tend to be made with discretionary dollars. To maximize sales to discretionary income purchasers, you need to know who they are.

## 4. Psychographic

Psychographics looks at the combination of personality traits and lifestyle. The goal is to better understand buying behavior by understanding people's motivation for buying.

Is the purchase filling an emotional need? What message does the purchaser hope to convey?

## 5. Product Usage

This is similar to psychographics.

How do consumers use a particular product? What can you do to get them to use it more?

Look at the different ways customers use your fresh products. Then target your advertising and promotion to expand upon those uses.

## 6. Product Benefits

Different customers may buy the same product for different reasons.

As a florist, you can probably identify the key benefit a given customer has in mind. The convenience of a gift that can be delivered. The big splash that flowers will make for a special occasion. Or the ability of flowers to solve a last-minute need.

Why not develop special products or services that provide the benefits most important to your customers?

If you don't know which customers you're after, you almost certainly will end up with ineffective advertising that doesn't speak particularly well to anyone.



## DIFFERENTIATE OR CONCENTRATE

Competition has forced many businesses to move toward increasingly precise, increasingly narrow segmentation. You can do the same thing. There are several different approaches.

After you've identified basic customer groups with similar buying behaviors, you may want to fine-tune your segmentation by looking at subgroups within the larger groups.

Although not the norm, some florists concentrate all of their efforts on a single group.

For example, a shop might decide to target only upper-income customers. To build its niche within that group, the shop would exclusively offer superior service, cutting-edge fashion and high-priced products. With this strategy, it would essentially ignore the rest of the retail floral market.

Or you might go in a completely different direction by choosing to serve more than one set of customers. For example, corporate accounts and sympathy customers.

Very different groups. Very different strategies. Both out of the same shop.

## BENEFITS OF SEGMENTATION

You'll realize four major benefits by segmenting your market.

### *The right products and services.*

When you know who your target customers are and what they want, you can better tailor your products and services. No need to guess at what will sell or to hope that what you have will please the customers.

You will know exactly what they want. Product. Service. Price point. You'll be shooting at the right target.

### *Effective promotional strategies.*

Without good segmentation, it's easy to waste advertising dollars by pushing products your customers just won't buy. Or advertising in media that won't reach your chosen market.

When you know who your customers are, you can design a more effective promotional strategy. The right message to the right people with the fewest possible advertising dollars.

**Better market position.** Segmentation also will help you identify what your competitors are doing. And how you can beat or avoid them. You will see more clearly how your position compares to other competitors in your market.

**Insight on present marketing strategies.** Segmenting allows you to evaluate the performance of individual marketing strategies. Are you wasting money? How could you do a better job for less?

## IT PAYS TO SEGMENT

Profitable retail florists have several things in common. They know the customers they are targeting. They know how to reach them effectively. And they know how best to serve them.

If you haven't segmented your market, take the time to do it.

Start with your present customer base. Then see where you want to go from there. Concentrating more on your best customers? Developing a new group of customers?

The choices are yours. But whichever way you go, segmentation will lead to growth and greater profitability. 🌸



# Expense Control

## Good Choices

**C**ontrolling expenses is a must if you want to be profitable. Every expense dollar saved directly increases the bottom line.

Interestingly, however, the real test of your ability to control expenses isn't whether you avoid outrageous outlays. It's how well you manage to keep basic expenditures in line. The everyday bills you have to pay and purchases you must make.

Are you spending more than you should in some areas? Or buying goods or services you really don't need? These are questions every florist has to ask—and ask repeatedly. To keep profitability up, you have to keep expenses down.

Last month, *Floral Finance* looked at five of the seven biggest expense control issues: payroll, facilities, advertising, insurance and vehicles

This article addresses two additional critical categories: **wire service expense** and **bad debts**.

### WIRE SERVICE EXPENSE

The ability to send and receive long-distance orders is one of the most important services you offer. And thanks to the wire service, you can do so effectively and efficiently.

But, as with any expense, you must make sure that the amount you spend on wire services is reasonable. This is a three-step process.

#### Step 1: Consider How Many Services You Really Need

This is purely an economical decision. And it's one you can make with some confidence.

You only need one wire service to send your customers' outgoing orders. So, pick your primary wire service based on coverage, rebates and the other benefits it offers—like technology. That's a big one.

A decision to have a second wire service can only be justified on the basis of the incoming wire order volume the service generates. This

analysis requires a few simple calculations.

You must first calculate the annual cost of belonging to the wire service. All fees. All ads. Any other costs you would save if you dropped out.

Then a good rule of thumb is to multiply those annual costs by 4 to get the amount of incoming order revenue you need to break even on that wire service.

Example: Suppose your monthly dues for a second wire service are \$150 and you have no other charges. Multiply the \$150 by 12 to get your annual cost of \$1,800. Now multiply the \$1,800 by 4. You will need \$7,200 worth of incoming orders from that service during the year to break even.

If you are breaking even, you're doing okay. Even on a break-even basis, incoming wire orders pay designer wages, move fresh product and introduce you to new potential customers.

#### Step 2: Evaluate Rebates

Be sure to send the minimum number of orders each month and pay your bill on time to qualify for rebates. If you don't have many outgoing orders, that's all the more reason to have only one wire service. You can concentrate your sending in one place for maximum value.

#### Step 3: Check Your Service Charge

An outgoing wire order has no product costs. You do, however, have expenses. The labor required to take and send the order. The time you spend reconciling the wire service statement. Transmission charges.

Add these all together, and you can easily be spending \$3 to \$6 on each outgoing wire order. Compare that against your service charge to fill the orders. Your service charge should be at least double the estimated expenses.

If your current service charge is below that level, bump it up.

### BAD DEBTS

If you owned a car dealership, extending credit would be both a necessity and a fairly safe business practice.

For florists, extending credit is a very different matter. Most of your sales are small—\$35, \$50 or \$100. Even customers who are spending several hundred dollars don't really need to finance their purchase. Credit is a convenience. Not a necessity.

And when a house account doesn't pay, you have no recourse. There's no collateral. The flowers you sold are long gone by the time the account makes it to your past-due list.



Bad debts are dangerous. You must keep them under control.

If your bad debts are greater than 1% of sales, you have a problem. That's too much. You need to find a way to bring that number down to a more reasonable level.

And if you are sitting pretty now, don't get complacent. You may simply be lucky. Trouble could be just over the horizon.

A few safeguards can help keep your bad debt expenses in check now and in the future.

### Switch to Credit Cards

Most customers don't particularly care how they charge a sale. Using a credit card is just as easy as charging to a house account. In fact, it's really easier. The customer won't have to write an extra check at the end of the month.

The use of a credit card also protects the retailer. As long as you have the sale properly approved, the credit card issuer—not you—normally bears the risk of the customer's failure to pay.

Switching all of your current customers over to credit cards may seem a little too ambitious. If so, go slowly. Start by simply not accepting new house accounts.

As new customers come in, offer to keep their credit card number on file. That small step will allow them to call and just say "Charge it" the next time they make a purchase. Easy on them. Less risky for you.

### Limit Credit Availability

If you choose to continue your house account program, reduce your exposure to bad debts. Limiting the circumstances under which you extend credit is a good idea.

Here are five helpful restrictions:

**No Big-Ticket Items.** A bad debt on just one big sale (a wedding, a reception, a fundraiser) could do major damage to your bottom line. So don't take the chance. Big ticket sales should all be paid in advance, before you prepare and deliver the flowers.

**Use Credit Applications.** This is a reasonable request. And one that shows the prospective customer you are serious about being paid. Some-

one who never intends to pay may not go to the trouble of completing the application. You'll weed out many high-risk people before they cause a problem.

**Use Cash Once.** Ask new customers to make their first purchase in cash or by credit card. A small step that lets them prove their goodwill before you give them credit.

**Set Credit Limits.** Even your best customers should have a credit limit—a ceiling on how large a balance you will carry. At a certain point, a number of small charges can be just as risky as a single large one.

### Charge Current Accounts Only.

If a customer has a past-due balance—even a small one—don't accept any more charges from him or her. Insist that the account be brought current first. Or require that any new purchase be paid with cash or credit card.

Harsh? Not really. In fact, the embarrassment will nudge well-intentioned but slow-paying customers into being more prompt in the future.

### Invoice Promptly

How often are you sending out invoices? Shops that don't invoice promptly (at least once a week) tend to have more bad debts. There are at least two reasons for this.

First, some customers will consciously or unconsciously match their payment practices to your billing practices. If you bill quickly, they will know you are serious and will respond in kind. If you take a more lackadaisical approach, they will, too.

Second, it's a fact that some people pay 30 days or so after they receive the bill, no matter when they actually made the purchase. The sooner you get the invoice in their hands, the sooner you will get your money.

### Follow Up

As soon as an account's due date passes without payment, it's time to spring into action.

Too many shops wait 60 or 90 days before doing anything at all about a delinquent account. Every day that passes reduces the odds that you'll be paid.

Keep the collection efforts moving. A reminder right after the due date passes, a request for payment a couple



Pick your primary wire service based on coverage, rebates and the other benefits it offers—like technology.

of weeks later and a demand another couple of weeks after that.

Each stage should include a call to action: a specific step you ask the customer to take. Whenever the customer agrees to pay by a certain date or take some other action, follow up with a letter, reminding them of their commitment.

And don't hesitate to use assertive measures when appropriate. If they say they are sending a check, offer to come pick it up. Or if they claim to be just a little short, offer to set up a payment plan that will fit their cash situation. You will soon see who is acting in good faith and who is not.

### IT'S A BUSINESS

You are running a business. The goal is profits. Unnecessary expenses can keep you from success.

Whether it's wire service fees, bad debts or any of the other expense categories, do yourself a favor. Take a hard look at what you are spending. If you can't justify the dollars that are going out the door, make some changes. 🌹



# SUCCESSION PLANNING: EARNING LEGITIMACY



**W**hen a new owner steps into the picture, employees will naturally question (at least to themselves) the ability of the successor. It's a natural reaction to change.

A new owner who is a child of the previous owner receives a double dose of skepticism. Employees may believe the heir is in the new position primarily because of his or her family tree—and not ability or experience. Many employees may even feel that they themselves are more qualified to assume the leadership role.

In order to ensure a successful transition, the successor must prove he or she is capable. The following attributes and experiences can help legitimize the successor in the eyes of the employees, suppliers and local business community.

## PROVEN SUCCESS ELSEWHERE

There's no better training for a successor than to get experience outside of the business, whether in another industry or in a community leadership role. It allows heirs to prove their abilities on the battlefield without mom or dad there to protect them. And non-floral experience is generally perceived by employees as neutral and worthy of acceptance.

## SOLID TRAINING

An heir who begins at the bottom of the organization and works up the

ladder will gain far greater respect than the one who waltzes directly into a leadership position. Each job experience in the shop means better training and understanding. Employees then know the heir has "done what everyone else has done."

On another level,

as with proven success elsewhere, a formal education in business management or floriculture is likely to be perceived as worthy of merit.

## PARENTAL SUPPORT

It goes without saying, if the parents are not supportive, others won't be either. Strong parental support will make the path to leadership easier.

## CUSTOMER ORIENTATION

The successor needs to show a customer focus. Nothing demonstrates commitment more clearly than a respect for customers. You can't fake it. Since customer service is what retail business is all about, it is hard to imagine any kind of real success without a genuine concern to serve and please customers.

## PROBLEM-SOLVING

As the successor encounters and handles real problems faced in the day-to-day grind, his or her credibility as a manager will increase. It's like proving yourself in the heat of battle.

Each time difficulties are experienced and handled successfully, everyone's confidence grows: the successor, employees, customers and parents.

## INCREASED RESPONSIBILITY

A combination of inexperience and authority can be chaotic. The goal of

the parent must be a controlled release of power. This is difficult to do consistently, but a schedule of gradually increasing the heir's levels of responsibility is a helpful approach. As each new responsibility is tackled successfully, more can be delegated.

## PEOPLE SKILLS

Managing successfully without good people skills is difficult, if not impossible. Similarly, strong social skills are imperative for building relationships with customers.

**Nothing demonstrates  
commitment more  
clearly than a respect  
for customers. You  
can't fake it.**

An individual's comfort level in social settings may be largely related to personality. That being said, some interpersonal techniques can be taught. If the heir isn't naturally social, this is an area in which to seek coaching and development.

## ACCOMPLISHMENT IN THE SHOP

As the final transition nears, the successor needs to be responsible for bottom-line performance. Can he or she control expenses; staff properly for holidays and non-holidays; buy product with an eye toward price and quality; and carry out personnel tasks (hiring, training and firing)?

## STEWARDSHIP

The successor must demonstrate a spirit of stewardship of the business. This means respect for what has been accomplished before and the legacy that has been built.

It also means not wasting the assets of the business—respecting the property, employees and financial resources of the shop. 🌿



# PRICING LOOSE FLOWERS

The question came up last summer at a management course: *"Shouldn't loose flowers be priced the same as flowers that go into arrangements?"*

Depending on the type of shop you run and who your competitors are, the answer might be "Absolutely" or "Never."

Retail florists fall into three main categories when it comes to loose flowers.

## HIGH-PRICED

This type of florist prices loose stems the same way as flowers that go into arrangements. No distinction at all. Usually, these shops use a 3.5× markup or better. They are not trying to compete with the mass marketers or supermarkets.

Typically, high-priced shops receive most of their orders electronically or over the phone. Although there are exceptions, foot traffic is usually low.

The market these shops serve? The carriage trade. Their customers are not very sensitive to price.

High-priced shops are primarily in the arrangement and service business. They sell loose flowers as an accommodation to their regular customers. As a result, loose flowers are a small part of their business.

## MEDIUM-PRICED

In this type of shop, the markup on loose flowers drops to around 2.5× to 3.0×.

The medium-priced florist is interested in selling a good volume of loose stems and, therefore, recognizes the need to at least partially compete on price. Since the loose flower price is lower than the

price for arranged flowers, walk-in customers have an incentive to buy a bunch or two.

However, the shops' product quality and service still allow them to charge more than supermarkets and other mass marketers.

Mass marketers typically allow the customer to select from pre-packaged bouquets or select stems individually on a self-service basis.

The mid-priced shop offers more personalized service. Often, the florist will select the stems for the customer. Greens may be added at no charge and the bouquet will be wrapped nicely, usually with a ribbon.

The ambiance of being in a flower shop also is a nice extra for some customers. And, of course, customers can expect a fresher, longer-lasting, higher-quality product than that purchased from a mass marketer.

## LOWER-PRICED

In this third type of shop the markup on loose flowers is 2.0× to 2.25×.

Why? Because lower-priced florists are competing head-on with mass marketers and supermarkets for the price-sensitive customer.

Walk-in traffic is an important part of their customer mix. Instead of merely accommodating customers who want loose stems, these shops aggressively pursue them.

A separate fixture or a prominent display of loose stems in the sales cooler is a central component of their strategy. The location of the shop is also important, because they need to attract walk-in traffic.

Retail florists normally offer high-quality product, have a broad selection of stems and are very service-oriented. These factors alone give the retail florist an edge over mass marketers.

The one place where the traditional florist comes in second is convenience. A traditional florist will never be able to compete with the impulse-buy convenience the supermarket offers.

However, the advantages of quality, variety and service are enough to make you a formidable competitor in the loose flower arena—if you want to be there. 🌷

## FAMOUS FINANCIAL WORDS

"According to economists, forecasts are never wrong. Reality is."—Michael Bailey

"Henry Ford could get anything out of men because he just talked and would tell them stories. He'd never say, 'I want this done!' He'd say, 'I wonder if we can do it.'"—George Brown

"Capital as such is not evil; it is its wrong use that is evil."  
—Mahatma Gandhi

teleflora

3737 NW 34TH ST.  
OKLAHOMA CITY, OK 73112

## NORMS

### ACCOUNTING EXPENSE



**T**his is the amount a typical retail flower shop will spend on accounting.

Smaller shops will run closer to 2% of sales. Larger shops with more than \$500,000 in annual sales could even be slightly below 1%.

Your accounting expense pays for monthly financial statements and year-end tax returns. Both must be done properly to be profitable.

Accounting is not the place to cut expenses. To the contrary, spending a little more to get good financial information can translate into much higher profits.

*Source: Floral Finance Business Services*

# INQUIRIES & ANSWERS LETTERS

## CHANGE YOUR PERSPECTIVE

*"We always seem to be out of cash. Is there anything I can do to change that?"*

### Think differently. Be more profitable.

It's a common refrain from small business owners: With just a few more financial resources, life would be easier. Although it sounds nice, the truth is that more cash is rarely the panacea owners expect.

In fact, the lack of capital can be one of your greatest management tools. It is possible for money to be too available. If there's an issue, the cash-rich owner will throw money at it—perhaps without addressing the underlying cause of the problem. Businesses that operate without a hefty cash cushion are different. Their lack of capital forces them to analyze—and do something about—their weaknesses.

It's no fun to be short of cash. The ultimate answer, however, is to be more profitable and generate a greater cash cushion.

## SECURITY

*"We're considering a security system for our shop. Do you think we should pay a monthly fee for a monitoring service?"*

### Not necessarily.

Many variables go into selecting the right security system. Your neighborhood. The amount of cash and property you have to protect. Insurance discounts you may get with a security system. Issues of personal safety.

Security systems have two basic functions. First, to keep burglars from entering your shop. Second, to minimize a loss in the event someone does try to break in.

Often, a local alarm system will be enough. When a door is opened or glass is broken, an alarm sounds, but no call or signal is relayed to a monitoring company or the police. A local alarm coupled with signs indicating that the premises are electronically protected may be enough to scare off most would-be burglars.

Burglars want easy targets. When they see your signs, they will most likely move on. And even if they do break in, the piercing bell, buzzer or siren on a local alarm should make them run. They will assume someone is coming.

One final point: If you also want fire protection, you will most certainly want a monitored system.

*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.*