



Florists Can Make Money!

SHOP PROFILE page 4



FINANCIAL
INFORMATION,
EDUCATION
& CONTROL

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INSIDE THIS ISSUE

FROM THE PUBLISHERS: Telephone Tag	Page 2
HIRING GOOD PEOPLE: No Greater Responsibility	Page 2
SHOP PROFILE: Florists Can Make Money	Page 4
NON-FLORAL SALES: What's the Potential?	Page 6
BY THE BOOKS: Non-Floral Sales—The Numbers	Page 7
INQUIRIES & ANSWERS: How to Pay 'No Rent'; Attracting New Employees.....	Page 8
NORMS: Non-Floral Sales	Page 8

QuickTakes

*Ideas You Can Put
to Work Immediately*

1 Adapt to the Future

Wayne Gretzky, possibly the greatest hockey player ever, said, "I skate to where the puck is going to be, not where it is."

Study the trends that are shaping your world. Consciously move your business in that direction. New colors, design ideas, marketing niches and consumer preferences all give you a chance to stay ahead.



2 Think Small; Increase Sales

"Affordable luxuries" are a hot trend. Goods that are seen as luxurious but that are within almost everyone's budget. Think Starbucks. It's seen as a luxury, yet many people buy it every day.

Create small, unique designs your customers will crave. Tiny bud vases. Wine glasses with flowers. Put on your creative hat and increase sales.



3 Tap Ethnic Markets

Don't miss the profitable markets minority groups represent. How can you better serve them? What holidays and special occasions do they celebrate? Do they have traditional flowers?

Understanding these groups and catering to their needs can bring a whole new range of people through your door. Do it right and you'll capture repeat customers who will tell their friends about their new, culturally friendly florist.

TELEPHONE TAG



There is no way to achieve 100% phone efficiency. But a few simple ground rules can help. By and large, these are common-sense concepts.

Timing. Make calls when the person is most likely to be available. For a salesperson who's often on the road, early morning or late afternoon. For your wholesale house, early afternoon might be better.

Contacts. Often, more than one person can answer your question or take your message. Work to build two or three contacts at each business. If "contact number one" is unavailable, try an alternate.

Be inquisitive. Ask when the person will be free or if someone else could help you. If the person you call is simply on another line, ask if you could hold for a minute. Don't wait for the person who answers the call to volunteer this information—take the initiative.

Be there. If you will need a return call, give a time when you can be reached. If you learn that the person is returning in a few minutes, don't step away from your desk or make another call. Be ready for the call-back.

Be specific. If you simply need some information, tell the person who takes the message what you want. Let them know that your contact can leave an answer if you're not available at the time he or she returns your call. You may get what you need without ever making direct contact.

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On the cover: Teleflora's
Pretty and Posh Bouquet

Hiring Good People No Greater Responsibility

Retail florists face many disturbing facts when it comes to hiring and retaining employees:

- 1. The tight labor market.** This isn't unique to florists. It's something every employer is dealing with right now.
- 2. The aging population.** Young people—the traditional source of labor for entry-level jobs—are in short supply and often more interested in high-tech jobs.
- 3. Design school shutdowns.** Some floral design schools have shut their doors, unable to make their business economics work.
- 4. Competition.** Fast food operators and other franchised operations can afford to pay more and offer better benefits. These businesses are attractive options to many workers.

These realities all point to one conclusion: Finding and keeping good people—while never an easy task for a florist—is only getting more difficult.



THE EXPENSE SIDE

You can't afford to hire badly. It's too expensive.

Every time you must replace a worker, the meter starts running. The costs mount rapidly.

Recruitment. Posting a job online, working with an online agency, publishing a help-wanted ad in local papers (online and print), etc., isn't free. Reviewing applications and interviewing candidates also take substantial staff time.

Training Time. Every new worker will need help to learn the job and understand your culture. You'll have to divert staff time from producing to onboarding the new employee. It all adds up to extra costs.

FIRST THINGS FIRST

Quality is becoming a watchword for the industry. Excellent and genuine customer service is paramount.

It's a welcome goal. But good customer service starts with good employees. Quality people deliver quality service. Marginal employees seldom reach a decent level of service. Your new-hires need to be customer oriented and have a positive attitude.

**A good job
description
focuses your
search.**

WHERE TO START

Although turnover can't be eliminated, it can be reduced. These three steps will cut your exposure to the costs and hassles of hiring and rehiring.



Create a Job Description. Whenever you hire, you must know exactly whom you're looking for.

A good job description focuses your search. The required skills and background. The interests that will (and won't) be given priority. All become clearer as you define the job.

The benefit to applicants is equally important. Disappointment is one of the biggest causes of employee dissatisfaction and turnover. When the reality of the job didn't meet the employee's expectations.

An experienced designer is surprised when he is asked to take phone calls occasionally. A bookkeeper who wanted to be in the office full time is disturbed when asked to make deliveries once a week.

Defining the job during the interview stage is the answer. Sure, you want to stress the positive and show the job in its best light. But don't hide anything. Don't sugarcoat. Don't overstate or oversell. Present a clear picture of what the job will be like.

Make sure the job you sell is the one that will be filled.

Be Prepared. Don't wait until a job opening materializes to start a search. Always be on the lookout for good candidates.

Collecting applications and résumés over time and pre-screening candidates will give you a big head start. Perhaps a friend knows of someone who would be a good fit. Or you stumble upon meeting a qualified

candidate. Meet them. Tell them that although no position is currently open, you would like to keep their names on file for the future.

Use Creative Prospecting. Be imaginative in the way you seek new-hires.

Turn exterior reader boards that usually advertise your wares into giant "help wanted" ads. Flower buyers who love your products may be transformed into possible flower shop employees.

Use local senior citizen service agencies as a conduit into that growing labor source.

Broaden your interaction with nearby schools. Trade and vocational schools are an obvious source. But even high schools can be a gold mine. Distributive education and other similar programs funnel enthusiastic workers to participating employers and offer students academic credit, experience, exposure and income.

Use your imagination.

THE INTERVIEW

You can't learn anything when you're talking. Remember that principle the next time you interview a job candidate.

Florists love to talk about their businesses. And you do need to give interviewees a flavor of the shop environment. But the primary goal in the interview is to learn as much as you can about the person in the other chair. Monopolizing the conversation will ruin the interview and turn good candidates off.

Try these suggestions for successful interviewing:

1. **Ask leading questions** instead of those that ask for a "yes," a "no" or some other one-word answer.
2. **Listen to the responses.** Don't be so wrapped up in your next question that you miss the substance of what is said.
3. **Remember that yours is a service business.** A spirit of wanting to help others should come through from every person you hire.
4. **Avoid questions that could lead to charges of discrimination.** This includes age, religion, gender-specific inquiries and physical limitations that are not job-related. Arrest records also are generally out of bounds ("innocent until proven guilty") except

for convictions that would impact a person's job qualifications.

5. Ask all applicants for a given position the same basic questions.

Different lines of inquiry will hurt your ability to make meaningful comparisons.

CONSIDER OPTIONS

A wide range of functions can be performed by outside contract labor. Deliveries, payroll processing, general bookkeeping, even free-lance design.

Keeping some functions off the payroll will save employment taxes, benefits and a few recordkeeping hassles. However, you also lose some control.

Make sure you understand the elements required to show a contract labor relationship in your state if you choose this path.

AFTER THEY'RE IN

"Yes."

It's the one word employers want to hear when they make a job offer. But the initial commitment is only that—an initial commitment.

Every day workers are on the job, their commitment will be strengthened by a positive environment or weakened by a negative one.

Work to see that each initial "yes" stays strong. The wages you pay probably won't be enough. You need to give more:

- Opportunity
- As much flexibility as possible
- A listening spirit
- Non-financial benefits such as training and loyalty
- A feeling that you care as much about them as your customers

Don't overstate or oversell. Present a clear picture of what the job will be like.

If you don't make your best employees want to stay, they won't. They'll move on. And you'll be back pounding the streets, looking for a replacement.

It's up to you. Hire well. Treat people well. You can change a game of chance into a game of skill. 🌸

SHOP PROFILE

Florists Can Make Money



AUGUST

How well does a profitable florist do during a non-holiday month such as August?

In this shop's case, the report card is mixed.

August brought in 6% of the shop's annual sales. That's right at the industry average of 6% to 7%.

August COGS looks even better than the annual results. Arrangement COGS, the most important COGS category, is impressively low at 26.1% of arrangements sales. That's 3.2% below the shop's annual number. Right on the money, according to the shop's pricing formula.

Payroll is the only expense category that is out of line. If staffing is trimmed to compensate for the lower August sales, this florist's monthly profit will show a significant increase—even with an adjustment for owner's compensation.

You can make money in non-holiday months. You just have to run a tight ship.

Our hats are off.

Imagine. An average-sized shop with \$332,533 in annual sales that is making the kind of money you read about in *Floral Finance*.

That's exactly what this month's profiled shop—a single-location business in a small Southwestern town—is doing. It's a true success story.

Take a quick look at the financial statement summary to the right. It shows the shop is making 18.8% in annual profit.

Is that really possible?

Yes and no.

The business is doing well. No question about it. But the 18.8% profit is a bit overstated. The financial summary does not include any compensation for the owner, who takes a draw rather than salary.

So, 18.8% is not a true picture of profitability. Even so, the shop is seeing a decent return. Assuming the owner's draw and benefits equal 10% of sales, actual net profit before taxes is 8.8%. A little below our usual 10% target, but close enough.

To reflect this more realistic picture, we've added an adjustment at the bottom of the financial statement for an owner's salary equal to 10% of sales.

Remember: To accurately compare financial statements, you must know what you are comparing and adjust for any unusual items.

FACILITIES COST

At 6.3% of sales, facilities costs (rent, repairs, taxes and utilities) are at a very good level.

Non-floral retailers often keep their rent below 6%. These retailers generally have higher gross sales than florists. They also sell more per square foot and don't have design labor costs. Consequently, they can pay more rent while keeping facilities cost low as a percentage of sales.

With lower sales per square foot and added design labor costs, florists must be more careful.

COGS OF 29.2%

Congratulations are again in order.

Cost of goods sold (COGS) is an area where it's easy to fall down. In this case, keeping arrangements COGS at 29.2% of arrangement sales shows good design room control. And 26.1% for August is even better.

The shop controls arrangements COGS through two simple techniques.

First, the designers count everything in every arrangement. Each item in the arrangement is included in the retail price.

Second, the shop sells a variety of standard arrangements that are prepared according to well-planned, profitable recipes.

Although good, the shop's arrangements COGS actually could have been even better.

Check their pricing formulas:

- 20% for labor
- 2x container markup
- 2x supplies markup
- 3x greens markup
- 4x flowers markup

On a typical \$45 arrangement, our florist should have a COGS of 26%.

August arrangements COGS is about as close as you can get to that target. But what happened during the rest of the year to bring annual arrangements COGS up to 29.2%?

Holidays could be the culprit.

Production design techniques should yield better COGS percentages during holiday months. That didn't happen in this case. Probably because it is difficult to use standard markups on more expensive flowers and flowers with holiday prices.

One positive the shop has going for it? Their lead designer is a real horse trader with suppliers and a stickler for detail when it comes to counting and charging for all items in arrangements.

PAYROLL

A good payroll target (including taxes and benefits) is 30% of gross sales. Including our adjustment for owner compensation (10% of sales), the shop's total annual payroll comes in at 32.4%.

That's a little high—but close. Bringing this down to 30% would push the shop's net profit above the 10% target.

Note that the shop's total annual payroll (without owner compensation) is \$74,375. August payroll is \$6,407—slightly higher than 1/12 of the annual total.

That's interesting. August is not a particularly busy month. With a good staffing plan, August employee payroll should be lower than the average. Not higher.

August's high payroll probably means this florist is paying for vacation pay in addition to the normal payroll. Actual August wage costs should be much lower than those in the holiday months of February, April, May and December.

WIRE ORDERS

The shop has more outgoing than incoming wire-order business.

How much more? Well, wires-out commissions are 20% of outgoing orders. Wires-in commissions are 27% of incoming orders. A few calculations would show that outgoing orders outnumber incoming orders by more than 2 to 1.

That's an unusually high number of outgoing wire orders for a shop of this size. Why? The owner says several

SHOP PROFILE INCOME STATEMENT	August		Annual	
PRODUCT SALES	Dollars	Percent	Dollars	Percent
Silk & Dried	\$ 124.43	0.6%	\$ 6,968.84	2.1%
Flowers, Loose	893.22	4.5	9,485.88	2.9
Flowers, Arranged	10,836.29	54.4	188,406.30	56.7
Green Plants	4,070.75	20.4	51,633.57	15.5
Blooming Plants	207.00	1.0	9,998.81	3.0
Balloons	941.93	4.7	12,834.69	3.9
Gifts	1,086.74	5.5	11,963.99	3.6
Returns	0.00	0.0	-1,188.77	-0.4
Total Product Sales	\$18,160.34	91.2%	\$290,103.30	87.2%
NON-PRODUCT SALES				
Service Charges	\$ 540.75	2.7%	\$ 7,218.00	2.2%
Wires-Out Commission	1,055.81	5.3	27,595.10	8.3%
Wires-In Commission	-900.20	-4.5	-16,738.05	-5.0%
Delivery	904.50	4.5	20,081.13	6.0%
Miscellaneous	145.55	0.7	4,273.40	1.3%
Total Non-Product Sales	\$1,746.41	8.8%	\$ 42,429.57	12.8%
TOTAL SALES	\$19,906.74	100.0%	\$332,532.87	100.0%
COST OF GOODS SOLD				
Silk & Dried	\$ 43.55	35.0%	\$ 3,887.21	55.8%
Flowers, Loose	294.77	33.0	3,130.35	33.0
Flowers, Arranged	2,828.27	26.1	55,013.99	29.2
Green Plants	1,424.75	35.0	19,571.61	37.9
Blooming Plants	93.57	45.2	5,055.92	50.6
Balloons	329.67	35.0	2,529.33	19.7
Gifts	543.38	50.0	6,364.85	53.2
Discounts	0.00	0.0	0.00	0.0
Total Cost of Goods Sold	\$ 5,557.94	27.9%	\$ 95,553.24	28.7%
GROSS INCOME	\$14,348.81	72.1%	\$236,979.63	71.3%
EXPENSES				
Advertising	\$ 1,188.60	6.0%	\$15,210.50	4.6%
Interest	0.00	0.0	0.00	0.0
Facilities	1,287.36	6.5	20,830.77	6.3
Telephone/Dove	669.81	3.4	8,311.58	2.5
Payroll	6,406.59	32.2	74,374.82	22.4
Vehicles	875.46	4.4	15,943.40	4.8
All Other Expenses	2,479.73	12.5	39,869.88	12.0
TOTAL OPERATING EXPENSES	\$12,907.55	64.8%	\$174,540.93	52.5%
NET INCOME	\$ 1,441.26	7.2%	\$ 62,438.70	18.8%
ADJUSTMENTS TO FINANCIAL STATEMENTS				
OWNER'S SALARY	\$ 1,990.68	10.0%	33,253.29	10.0%
NET INCOME (ADJUSTED)	\$ -549.42	-2.8%	\$ 29,185.41	8.8%

large nearby companies move employees in from around the country. They often send orders back home to friends and relatives.

A BRIGHT OUTLOOK

Many owners think they would increase their profits if only they could increase sales. Unfortunately, if you can't make money at your present sales level, you probably won't make money with greater sales.

To realize a profit, retail florists must

control COGS and payroll. If you aren't doing that today, you probably won't do that tomorrow either—even if your volume grows.

This shop is making money now. And it has the prospect of making even more in the future. The owners have good business patterns and practices. As sales rise, they'll continue to keep a close watch on costs. The profits ought to follow.

Yes, retail florists can make money. This shop has. You can, too. 🌻



What's the Potential?

Non-Floral Sales

Go to any industry trade fair. Look at the exhibitors' offerings. Balloons. Bird-houses. Stuffed animals. Candies. Cards. And more gift items than you could imagine.

Peruse trade magazine advertisements and you will see the same thing.

Yet many shops have relatively small non-floral product sales. With all the attention non-floral products get, these florists naturally begin to wonder:

Are they missing something?

Do non-floral sales represent a big opportunity?

TWO VIEWS

Given the numbers (see the table on page 7), you could conclude that non-floral products are not worth much time and energy. They are such a small percentage of sales. Why not devote yourself even more strongly to fresh products? That seems to be where the money is.

Other observers, however, see potential, not problems. Why not work to build up your non-floral sales? There's certainly lots of room to grow. With more selections or a different strategy, maybe you could do better.

What It Takes

Successful non-floral product sales require:

- ✓ In-person shopping by the customer
- ✓ Additional sales staff on the floor
- ✓ Product variety
- ✓ A convenient location
- ✓ Good merchandising
- ✓ Something more than the other specialty retailers

Which view is correct? And why are non-floral product sales such a small part of total sales? To answer those questions,

another one has to be asked first:

Why buy from a florist?

Why does a consumer buy from you rather than another gift and specialty retailer?

Primarily because a traditional flower shop has distinct competitive advantages that other retailers seldom duplicate. Three are most relevant.

1. Delivery. Your customers can send floral gifts across town, across the country or around the world. Easily. Quickly. And right to the recipient's door.

2. Stay-at-home shopping. Customers can shop from the convenience of their homes or offices. They don't have to come in to make a selection. They give general instructions over the phone, by email or through your website. You'll take it from there.

3. Creativity. Your shop may produce multiple copies of some arrangements. But each piece is still a work of art. With the exception of wire-service specials, the designs you produce aren't available down the street. Your work is unique.

PLAY TO YOUR STRENGTHS

Flowers and other fresh products play nicely to your strengths.

- Holiday and occasion flowers require delivery.
- Floral designs are inherently creative, not generic, off-the-shelf products.

With non-floral products, however, the florist's traditional strengths are less important.

- Customers typically want to see non-floral products in person before they make a purchase.
- Delivery is not as big an issue.
- There's less creativity required; the retailer is simply reselling a piece of merchandise.

Other specialty retailers often are better positioned than you to sell gifts and similar merchandise. You don't have the same shelf space. You can't offer the same selection or variety.

THE FLIP SIDE

Of course, some shops will have more potential in this area than others. The box at left suggests six prerequisites for a winning non-floral sales effort.

Just remember that there are fundamental reasons why non-floral products are such a small part of business in most shops. Don't ignore the realities behind your current product mix. Build on your strengths, not your weaknesses. 🌸

Non-Floral Sales | The Numbers

Ever wonder how sales break down for other retail florists? For many years Floral Finance Business Services prepared monthly financial statements for florists. Since every client used the same general ledger codes, we were able to combine everyone's information to identify key industry trends.

The data we gathered remains helpful for understanding today's industry.

The table at right shows data for the major sales categories in the typical retail flower shop. Take a look. See how you compare.

BIG & SMALL

Non-floral products are a fairly small portion of total flower shop sales.

Arrangements account for more than 60% of total sales. Combining that with green plants, loose flowers, silk/dried flowers and blooming plants brings you up to 86.3% of sales. Adding in wire orders and revenue related to the floral business (rebates, sending and receiving commissions, delivery, service charges) shoots you up to 92.5%.

In contrast, gifts (the largest non-floral category) struggle in at only 4.7% of sales. All non-floral merchandise combined (gifts, balloons and fruit baskets) accounts for only 7.5% of sales.

OPPORTUNITY KNOCKS

There are a few ways to build non-floral product sales.

Take balloons, for example. Many shops successfully incorporate balloons into fresh flower designs.

Begin offering birthday, anniversary and get-well arrangements that include a small Mylar. Putting balloons in arrangements is a nice way to build add-on sales. It's a little extra touch for which many customers are willing to pay.

Same thing with putting small plush toys in arrangements. Good value for the customer. And a few more dollars in revenue for the shop.

Although the gift and fruit basket business is increasingly competitive, these products also present real opportunities—especially given your delivery capabilities.

However, do not forget what business you are really in. You are a florist. Customers look to you for a set of well-defined products and skills. They are unlikely to look your way when another retailer could meet their needs more easily or more completely.

INVENTORY

Florists are accustomed to keeping a low inventory for their fresh product business. Flowers turn every three or four days.

Not so with gifts. You'll do well to turn your gift inventory two times a year. If you use a double markup, that means you'll need \$2,500 in inventory for every \$10,000 in annual sales. And each dollar tied up in inventory is a dollar you can't use for something else.

Average Flower Shop Sales

Product Sales

Silk/Dried	3.8%
Flowers, Loose	8.1
Arrangements	60.3
Green Plants	9.1
Blooming Plants	5.0
Gifts	4.7
Balloons	1.5
Fruit Baskets	1.3
Total Product Sales	93.8%

Non-Product Sales

Service Charges	2.0%
Wires-Out Commission	3.2
Wires-In Commission	(4.4)
Rebates	0.8
Delivery	4.0
Miscellaneous	0.6
Total Non-Product Sales	6.2%

Non-floral products do represent some potential. However, that potential is limited. And it is quite expensive to stock and maintain the inventory it will take to get there. 🍷

FAMOUS FINANCIAL WORDS

"A computer does not substitute for judgment any more than a pencil substitutes for literacy. But writing without a pencil is no particular advantage." —Robert S. McNamara

"The chief value of money lies in the fact that one lives in a world in which it is overestimated." —Henry Louis Mencken

"Without adequate cash flow, even a profitable business will sooner or later find itself in serious financial trouble." —Edward Mendlowitz

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INQUIRIES & ANSWERS Letters

HOW TO PAY 'NO RENT'

"We own our building. The mortgage is paid off. Isn't the money we are saving on rent increasing our profit? How can I know the business is doing as well as we should?"
Start to pay rent.

To make sure you aren't depending upon "no rent" for your shop's profitability, determine the fair market rent for your facilities. Then, start paying rent.

If a separate corporation or partnership owns the building, make the check out to that entity. If you or the shop own the building, pay yourself the rent check. Just remember, you will have to claim that money as income on your 1040 at the end of the year.

Once you're "paying rent," your income statements will more accurately reflect how well the flower shop is performing.

ATTRACTING NEW EMPLOYEES

"What's the best way to find new employees in a tight labor market?"

Put a sign in the window.

You often can find great people by placing a help wanted sign where passersby will see it. Most people who respond will be from the neighborhood—very convenient. Second, whoever inquires will be partially screened. They already know who you are

and have concluded they might like to work for you. And, more often than not, they will be flower lovers.

Another good technique is to take your business cards wherever you go. On the back write, "If you ever think you might want to work in our flower shop, give us a call."

Then, look for people who come across as the kind of employees you want. Get good service from a server at a restaurant or a cashier at a store? Give them your card.



NORMS

NON-FLORAL SALES



The amount of non-floral sales in the average retail flower shop. This number includes gifts, balloons and gourmet. All merchandise other than fresh product. A lot of items. Not much revenue. There's no better proof that retail florists are mostly in the business of selling floral products.

A certain percentage of revenue also comes from non-product services like delivery; however, the vast majority of that revenue is tied to floral products.

Most florists who try to expand their sales outside of the floral niche find less-than-satisfying results. Why? Flower shop customers primarily are looking for flowers or flower-related products.

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