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QuickTakes

*Ideas You Can Put
to Work Immediately*

1 Quick Survey

Ask the next five customers the best and worst things about your shop.

On the positive side, you should gain a better understanding of your strengths. It might be design, customer service or a combination of factors.

Because most people are uncomfortable sharing criticisms, don't expect to hear too many negatives. But when you do, listen carefully—and learn.

2 Marketing Partner

What nearby business could refer good customers to you? Similarly, which business could benefit from referrals you could make?

A caterer? A wedding consultant? A health club?

Find the best candidate. Then, form a marketing alliance before the week ends.

3 Trust

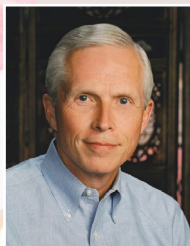
How can you build trust?

First, be consistent. Make sure that what you say is what you do. The more your words and actions align, the more people will know you can be trusted.

Next, admit your mistakes. Cover-ups never work. People always already know or discover the truth. Head off your critics at the pass. Fess up, learn your lessons and move on.

FROM THE PUBLISHERS
OF FLORAL FINANCE®

COUNT YOUR BLESSINGS



Whether you live in Canada or the United States, stop to consider your blessings.

This fall, the U.S. will go through a tumultuous presidential election. Yet in

the midst of what probably will be a non-stop and bitter campaign, U.S. citizens mostly will be calm. If there is a transition of power, it should go smoothly.

In many countries, national elections and governmental transitions bring guns into the streets. Force is used to wrest power.

In North America, the rule of law is the foundation of our daily lives. Even when adversaries turn to the courts, they operate under the rule of law.

Through good times and bad, the national fabric remains in place. Individuals here have a level of personal freedom that is the envy of most of the rest of the world. And that freedom leads to opportunity and prosperity.

So, as you go about your activities, don't focus on the struggles of the day. Instead, think how fortunate you are.

Be thankful you live in a free society that operates under the rule of law—a society that respects both the will of the majority and the rights of the minority. Be thankful you have freedom. Be thankful you have the opportunity to own and operate your business.

As imperfect as our systems are, we are blessed to live here and have the chance to make them even better.

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GETTING A GOOD REPORT CARD

*How Well Are
You Doing?*



To run a profitable retail flower shop—or any business, for that matter—information is critical. It can easily spell the difference between excellent and mediocre performance.

When you know your operation's problems, you can take steps to fix them. Your bottom line will improve.

Similarly, if you don't know the cause of your low profitability, it's difficult to take corrective action.

.....

THEY'RE RARE

Less than 1% of retail florists get the kind of floral-specific financial statements they can easily understand to run their businesses well.

Most financial statements are not reader friendly. They're not easy to comprehend.

When a statement is put together properly, all the necessary numbers should jump out at you—without your having to do any special analysis.

An even bigger issue is that most accountants are not familiar with the special needs of the retail florist. They don't understand wire-order accounting. They don't understand how different a florist is than a normal retailer.

The shop ends up with a statement that is good enough for

filing year-end tax returns but not specific enough to help the owner manage a profitable operation.

Florists are not just retailers. They also are manufacturers.

**Proper groupings
and subtotals do
most of the work
for you. You won't
need a calculator.**



When you buy gifts, you are purchasing “finished goods.” Someone else manufactured the items. All you have to do is sell them. However, floral arrangements are completely different. You buy raw product and manufacture (design) the final product.

To be profitable, cost of goods sold (COGS) needs to be broken down into categories so you can isolate the costs for different types of sales.

COGS for arrangements is where the most money is lost—usually because designers stuff in extra flowers.

SALES & COGS BY CATEGORY

When you know what sells and what doesn’t, you will know what to promote and what to buy.

Also, if you don’t break down sales, you can’t analyze COGS for each category.

Finding the appropriate number of sales categories is a balancing act. You want enough categories to get the information you need, but not so many that you drown in details. Here is a happy

minimum for the average retail flower shop. Not too many and not too few categories.

PRODUCT SALES

Silk & Dried

Loose Flowers

Arrangements

Green Plants

Blooming Plants

Balloons

Gifts

NON-PRODUCT SALES

Wire Service Charges

Wires-out Commissions

Wires-in Commissions

Delivery

Each of these product sales categories should have its own COGS category.

GROUPED EXPENSES

A well-designed financial statement is simple to read, with the key numbers easy to find and much of the analysis done automatically. That includes the three most critical areas: arrangements COGS, facilities expense and payroll.

Take payroll, for example. You shouldn’t have to look all over your statement to collect the numbers for wages, payroll taxes, contract labor, worker’s compensation taxes and employee benefits. A good statement will group all the

payroll numbers together and provide a subtotal.

In the same way, all facilities expenses (rent, maintenance/repairs, facility insurance, property taxes and utilities) should be grouped and subtotaled.

Advertising and vehicle expenses are two other groups that lend themselves to subtotals.

Proper groupings and subtotals do most of the work for you. You won’t need a calculator. Key numbers and percentages are already calculated and ready for your review.

Another helpful trick is to list the expense categories in alphabetical order. Finding the category you want will be much easier.

CORRECT PERCENTAGES

Almost every income statement bases percentages on total sales or expenses. That’s fine. Just don’t calculate COGS as a percentage of total sales.

Suppose your total sales for a given month are \$20,000. Of the total, \$13,000 were arrangements.

Next, suppose arrangements COGS for the month were \$5,200.

Comparing arrangements COGS to total sales would give an arrangements COGS of 26% ($\$5,200 / \$20,000 = 0.26$). That would certainly look good. But it’s not the correct way to calculate COGS. Arrangements COGS should be calculated as a percentage of arrangement sales only.



Sample Retail Florist Income Statement

	This Year (Year-to-Date)		Last Year (Year-to-Date)		Difference	
PRODUCT SALES	Dollars	Percent*	Dollars	Percent*	Dollars [†]	% Change [‡]
Silk & Dried	\$ 9,530.62	3.4%	\$ 13,416.87	5.2%	\$ -3,886.25	-29.0%
Loose Flowers	24,708.48	8.9	15,638.16	6.1	9,070.32	58.0
Arrangements	180,174.72	65.0	152,941.50	59.6	27,233.22	17.8
Plants, Green	14,831.14	5.4	19,969.07	7.8	-5,137.93	-25.7
Plants, Blooming	8,851.64	3.2	9,746.24	3.8	-894.61	-9.2
Balloons	9,490.21	3.4	11,697.41	4.6	-2,207.21	-18.9
Gifts	11,333.57	4.1	8,991.26	3.5	2,342.31	26.1
Returns/Allowances	-877.73	-0.3	-2,692.63	-1.1	1,814.89	-67.4
Total Product Sales	\$258,042.65	93.1%	\$229,707.88	89.9%	\$ 28,334.77	12.0%
NON-PRODUCT SALES	Dollars	Percent*	Dollars	Percent*	Dollars [†]	% Change [‡]
Wires-Service Charges	\$ 4,748.16	1.7%	\$ 4,967.50	1.9%	\$ -219.34	-4.4%
Wires-Out Commissions	7,786.70	2.8	7,947.33	3.1	-160.63	-2.0
Wires-In Commissions	-10,122.71	-3.7	-10,375.25	-4.0	252.54	-2.4
Rebates	683.80	0.2	946.35	0.4	-262.55	-27.7
Total Wire Revenue	\$ 3,095.95	1.1%	\$ 3,485.93	1.4%	\$ -389.98	-36.6%
Delivery	\$ 13,827.75	5.0	14,355.73	5.6	\$ -527.98	-3.7
Misc. Income	2,202.33	0.8	8,164.03	3.2	-5,961.70	-73.0
Total Non-Product Sales	\$ 19,126.03	6.9%	\$ 26,005.69	10.1%	\$ -6,879.66	-26.5%
TOTAL SALES	\$277,168.68	100.0%	\$255,713.57	100.0%	\$ 21,455.11	8.1%
COGS	Dollars	Percent [§]	Dollars	Percent [§]	Dollars	% Change [‡]
Silk & Dried	\$ 3,145.11	33.0%	\$ 4,427.55	33.0%	\$ -1,282.44	-29.0%
Loose Flowers	6,177.12	25.0	3,909.57	25.0	2,267.11	58.0
Arrangements	45,043.68	25.0	45,788.28	29.9	-744.60	-1.1
Plants, Green	4,894.28	33.0	6,589.84	33.0	-1,695.56	-25.7
Plants, Blooming	2,921.04	33.0	3,873.23	39.7	-952.19	-24.6
Balloons	3,321.57	35.0	4,094.12	35.0	-772.53	-18.9
Gifts	5,666.79	50.0	8,176.62	90.9	-2,509.83	-30.7
Supplies**	17,378.71	6.7	445.22	64.0	16,933.49	3,803.4
Discounts	264.45	0.1	0.00	0.0	264.45	0.0
TOTAL COGS	\$ 88,812.75	32.0%	\$ 77,304.44	30.1%	\$ 11,508.32	14.9%
GROSS PROFIT	\$188,355.93	68.0%	\$178,409.14	69.9%	\$ 9,946.79	5.2%

In this example, dividing \$5,200 by \$13,000 gives an arrangements COGS percentage of 40% (\$5,200 / \$13,000 = 0.40). Way too high for the shop to be profitable.

Calculate all COGS percentages against the associated sales category.

COMPARISONS

A good income statement will compare your numbers against the previous year. Ideally, for both the current month and year-to-date.

The best statements will show the numbers for each year, the dollar

difference between the two years and the percentage increase or decrease.

BALANCE SHEET

On the balance sheet, the major difference between average retailers and retail florists is that florists need appropriate wire-order accounting categories.

A wires receivable category is absolutely necessary. If your balance sheet doesn't have this account, you can be sure your accountant doesn't understand wire-order accounting. (Even if your balance sheet does have this category, that doesn't

necessarily mean it's being done correctly. But that's another topic.)

SAMPLE INCOME STATEMENT

On these two pages is a sample income statement with all the features outlined on pages 2-4.

Note the three circled numbers. Gauging your performance in these three critical areas is easy when your statement is in the correct format.

Show this to your accountant. See if he or she can provide a similar format for your shop. Don't forget to point out the need to calculate COGS percentages against the appropriate sales categories. 📌

	This Year (Year-to-Date)		Last Year (Year-to-Date)		Difference	
EXPENSES	Dollars	Percent*	Dollars	Percent*	Dollars†	% Change‡
Accounting	\$ 3,754.40	1.4%	\$ 3,755.70	1.5%	\$ -1.30	0.0%
Advertising	15,485.81	5.6	14,186.65	5.5	1,299.16	7.6
Bad Debts	555.82	0.2	2,077.56	0.8	-1,521.74	-73.6
Bank Charges	269.62	0.1	515.72	0.2	-246.10	-47.7
Cash Over/Under	1,767.00	0.6	-275.12	-0.1	2,042.12	-742.3
Contributions	323.49	0.1	418.60	0.2	-95.11	-22.7
Credit Card Fees	4,448.66	1.6	4,206.65	1.6	242.01	5.8
Depreciation	2,730.00	1.0	2,470.00	1.0	260.00	10.5
Dues/Subscriptions	1,381.25	0.5	1,343.10	0.5	38.15	2.8
Education	0.00	0.0	39.14	0.0	-39.14	-100.0
Entertainment	945.84	0.3	32.37	0.0	913.47	2822.0
Facilities						
Insurance	1,485.59	0.5	2,431.79	0.9	-946.21	-38.9
Miscellaneous	1,240.27	0.4	1,342.76	0.5	-102.49	-7.6
Rent	5,815.71	2.1	7,348.12	2.9	-1,532.41	-20.9
Repairs/Maint	3,341.00	1.2	9,531.24	3.7	-6,190.24	-64.9
Taxes	3,230.50	1.2	2,813.95	1.1	416.55	14.8
Utilities	9,893.77	3.6	8,884.75	3.5	1,009.02	11.4
Facilities Total	\$ 25,006.86	9.0%	\$ 32,352.61	12.6%	\$ -7,345.78	-22.7%
Insurance – General	3,692.30	1.3	2,842.15	1.1	850.15	29.9
Interest	38.49	0.0	231.24	0.1	-192.75	-83.4
Payroll						
Contract	10,000.00	3.6	11,995.00	4.7	-1,995.00	-16.6
Regular	64,950.68	23.4	59,535.51	23.2	5,415.17	9.1
Taxes	3,982.38	1.4	2,881.39	1.1	1,101.00	38.2
Employee Insurance	1,559.16	0.6	1,998.93	0.8	-439.78	-22.0
Employee Fringe	186.25	0.1	309.63	0.1	-123.38	-39.8
Payroll Total	\$ 80,678.47	29.1%	\$ 76,702.46	33.4%	\$ 3,958.01	5.2%
Postage/UPS	2,818.87	0.1	1,817.91	0.7	1,000.96	55.1
Supplies – Office	959.49	0.3	1,148.11	0.4	-188.62	-16.4
Supplies – Store	3,089.68	1.1	2,307.31	0.9	782.38	33.9
Telephone	4,963.61	1.8	3,402.87	1.3	1,560.74	45.9
Telephone – Mercury	3,748.64	1.4	3,088.72	1.2	659.92	21.4
Travel	1,521.86	0.5	1,274.47	0.5	247.39	19.4
Vehicle						
Insurance	747.88	0.3	1,462.01	0.6	-714.13	-48.8
Operating	2,063.49	0.7%	1,648.87	0.6%	414.62	25.1
Repairs/Maintenance	198.12	0.1	999.70	0.4	-801.58	-80.2
Tax/License	841.84	0.3	65.00	0.0	776.84	1195.1
Vehicle Total	\$ 3,851.33	1.4%	\$ 4,175.57	1.6%	\$ -324.25	-7.8%
Wire Service Expenses	\$ 2,233.37	0.8%	\$ 1,442.36	0.6%	\$ 791.01	54.8%
TOTAL EXPENSES	\$164,264.81	59.3%	\$159,574.14	62.2%	\$ 4,690.67	2.9%
NET PROFIT BEFORE TAX	\$ 24,091.12	8.7%	\$ 19,531.15	7.6%	\$ 4,559.97	23.3%

* —Dollars / Total Sales

† —This Year – Last Year

‡ —Difference Dollars / Last Year (Year-to-Date) Total Sales

§ —Difference Dollars / Last Year (Year-to-Date)

associated sales category

** —All design supplies + containers

QR CODES THEY'RE EVERYWHERE!



You see them on billboards, on vans, in advertisements and even on business cards. It's that square box that contains a bunch of unreadable lines and dots—unreadable, at least, to the average human being.

QR stands for “quick response.” QR codes are like retail product bar codes that are scanned at checkout registers to retrieve a price and item description. However, because QR codes are two-dimensional, they can hold a whole lot more information.

In fact, that little QR square can hold up to 7,089 characters. This entire article and more could be contained on one QR code. A traditional bar code is limited to a few numbers or letters.

USAGE

You don't need a special device to read a QR code. All you need is smart phone with a QR code reader app.

These apps work through the phone's camera. You just scan or snap a picture of the QR code. The app will read the code and give you the information you need or send you to a webpage.

These codes are turning up in all kinds of unusual places. Some cemeteries even use QR codes to give mourners information about the deceased.

More often, advertisers use them to give consumers more information about a product or service. Magazine ads. Direct-mail pieces. Billboards. Basically, any place where you see a visual advertisement, you might now see a QR code.

JOIN THE TREND

QR codes have been around for a long time. However, for years, they were mostly used in Japan. QR code technology is royalty-free. The reader apps that can transform your message into a usable QR code are also free.

Just type “QR code generator” into Google. You will get about 25 million hits. Does that tell you anything about how fast QR code technology is spreading? You also can add the word “free” to the end of your search.

The services will walk you through the steps and prompts to create a QR code in the format you select.

MORE THAN AN AD

As you would expect, many of the providers also offer analytics as part of their service so you can see how your QR code is performing.

Studies show that men use QR codes more than women and that users tend to be upper income and middle age. Just where you would expect a simple technology tool to land.

Like your shop's website, QR codes will become even more common in the future. You don't

want to be the last shop onboard.

If you don't already have a QR code reader on your phone, download one today.

And while you're at it, find an easy-to-use QR code generator for your shop. Just be sure to test each QR code before you put it out to the public. You want to confirm that your codes give customers the information you expect. Every time. 📱



Like your shop's website, QR codes will become even more common in the future.

CHARITABLE CONTRIBUTIONS SHOULD YOU OR YOUR BUSINESS WRITE THE CHECK?

You've decided to donate to a good cause. What's the best way to do it? A gift of flowers from your shop? A personal check? A corporate check?

Important questions if you want to be a good steward of your resources.

WHAT ARE YOU DONATING?

A gift of flowers can easily be classified as an advertising expense. No problem.

If someone asks you to place an ad in their program, that's also a clear-cut advertising expense.

Both can be written off by the business as a normal operating expense. No one will question them, usually not even in an audit.

TAX IMPLICATIONS

Cash donations are a little more complicated than a gift of flowers or running an ad.

When you give cash, Internal Revenue Service (IRS) restrictions come into play. The IRS only allows a corporation to deduct contributions of up to 10% of pre-tax net income.

A business can donate more than 10%. You just won't be able to deduct the overage for tax purposes.

As an individual, however, you can deduct up to 50% of your income for charitable contributions.

Consequently, when giving cash, it usually is best to pay yourself the extra money and then make the donation personally.

That way, you will be assured of getting full credit on your taxes.

IS IT A 501(C)(3)?

For a charitable contribution to be deductible, the donee must be recognized by the government as a legitimate non-profit organization. The IRS calls them 501(c)(3) organizations.

WHEN GIVING CASH, IT USUALLY IS BEST TO PAY YOURSELF THE EXTRA MONEY AND THEN MAKE THE DONATION PERSONALLY.



First, try to do something that can be considered an advertising expense. Get your name mentioned or written into a program or listed as a sponsor.

Remember, advertising is always deductible as a regular business expense.

Make sure every organization to whom you donate is a recognized 501(c)(3) organization. If it's not, your gift will not be deductible as a charitable contribution.

Why would the government create that rule? To prevent fraud. To reduce the number of unscrupulous scams that prey on people's emotions. And to make sure people can't give money to a brother-in-law and call it a "charitable contribution."

If the organization is not a qualified charitable entity but you still want to help out, what should you do?

But what if a non-501(c)(3) organization needs cash and you still want to contribute?

Go ahead and give the donation.

Don't let your life be run solely by tax laws. Just give the donation and forget the tax implications. Be happy you could help someone who needed it.

Sure, it's always better if you can get a tax deduction for your gifts. That leaves you with more money for even more contributions. So be smart with your donations.

However, in the end, give to what you think is important. 🌸

FAMOUS FINANCIAL WORDS

"It is easier to fight for one's principles than to live up to them."—Alfred Adler

"If at first you don't succeed, you're running about average."—M.H. Alderson

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INQUIRIES & ANSWERS Letters

HOLIDAY PAY

"Because of overtime, shouldn't my payroll during hectic holiday times be slightly higher than normal as a percentage of sales?"

Absolutely not.

Holidays are hectic. You are handling more sales, often at more than double your normal rate.

However, your payroll percentage actually should be lower because of increased efficiency and productivity. For example, the design room should be relying more heavily on production designing. If so, design wages as a percentage of design sales will go down.

When payroll percentage goes up at a holiday, that's an indication of poor management. The shop is throwing people at problems instead planning how best to handle them. A well-managed shop will have minimal overtime during holidays.



CASH FLOW

"Why does my income statement say I made money, but I don't have any extra cash to show for it?"

Look at your balance sheet.

You are spending money on things that don't immediately show up on your income statement.

Example: You made \$5,000 in February, but you put \$3,000 down to buy a new van. That \$3,000 doesn't appear on your income statement.

You'd have the same result if you used cash to pay down outstanding payables or pay off part of a loan.

Over a period of several years, your cash will match your earnings. All of those items on the balance sheet eventually make their way through the income statement or get paid off.

NORMS

ARRANGEMENT SALES



That's arrangement sales as a percentage of the average shop's total sales.

In other words, about two-thirds of all sales dollars are for arrangements.

That's a big number.

And the 65% doesn't count several other items that are related to flowers or floral services: silk/dried, loose flowers, green plants, blooming plants, service charges, wires out and delivery.

Only a few sales (such as gifts) are not floral-related.

Remember, you really are in the flower business.

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