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QUICKTAKES

*Ideas You Can Put
to Work Immediately*

Time to Plan for Mother's Day

1 Sales Projections

Projecting Mother's Day sales is not always easy. The best estimate will probably be made by looking at how your sales for Christmas, Valentine's Day and Administrative Professionals Day compared to the previous year.

Whether up or down, what happened on previous holidays will likely hold true for Mother's Day.

2 Advertising

What will you advertise? What media will you use? How much should you spend?

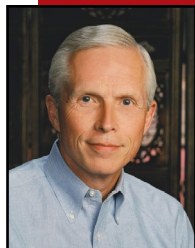
Don't forget to allocate some of your advertising budget for ad creation and preparation. Getting the ads ready to go may cost more than you think, especially if you use outside creative firms.

3 Plan Staffing

Your Mother's Day profitability will depend largely on how well you control your payroll in the days leading up to the holiday.

Look at last year's sales by day. Based on that data, determine how many hours of design time you will need each day. By using standard recipe arrangements, you can increase the productivity of your design staff by 50%.

WHO'S ON FIRST?



"What's the name of
the guy on first?"

"No, What's on
second."

"Who's on second?"

"No, Who's on first!"

"I don't know."

"He's on third."

An unsuspecting interviewer is asking a baseball manager about his players in a classic comedy routine from Abbott and Costello, involving a conversation about three players named "Who," "What" and "I Don't Know."

Confusion reigns as the interviewer and manager go back and forth. It's funny in a skit. Not so funny when you're managing a flower shop.

Retail florists often get confused when it comes to two key financial players: accountants and bookkeepers. Which one should perform what tasks?

Accountants are the number-one business advisors that florists turn to for operational and financial help. They assist on the big items: tax returns, financial statements and providing business counsel. Their time is expensive, so use them only on critical matters.

Bookkeepers are equally necessary. Their role is to handle the everyday aspects of your shop's financial affairs. They track daily sales, balance the cash drawers, make deposits, prepare payroll, enter data for reports and process receivables. Since bookkeepers are not as expensive as accountants, they are perfect for these tasks.

Know who should do what. Your business will run more efficiently.

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WIRE ORDERS:

IMPORTANCE & PROFITABILITY

Ask a randomly selected group of florists whether wire orders are important and profitable and you'll hear many different opinions. Some will say that wire orders are an important service for the customer but not very profitable for the florist.

Others have a divided view. They may say that outgoing wire orders are profitable but incoming wire orders are not. Indeed, this may be the most common perspective.

Still other florists love any kind of wire order. They welcome outgoing wire orders. And they scramble for all the incoming volume they can get by placing directory ads, promoting their websites, advertising their 800 numbers and passing out their business cards.

THE TRUTH

For years, most industry experts agreed that the overall volume of wire orders was only about 15% of total florist sales. Locally generated business, in other words, exceeded wire-order volume by almost six to one.

The *Floral Finance* database of actual shop results confirms those numbers. However, any conclusion that wire orders aren't a significant piece of the total pie is just plain wrong. Let's see why.

Look at the table on the "Importance of Incoming Wire Orders." Although the average is about 15%, gross incoming wire orders (excluding the delivery charges) range from a low of 12.4% of total sales to a high of 33.4%, depending on the size of the shop.

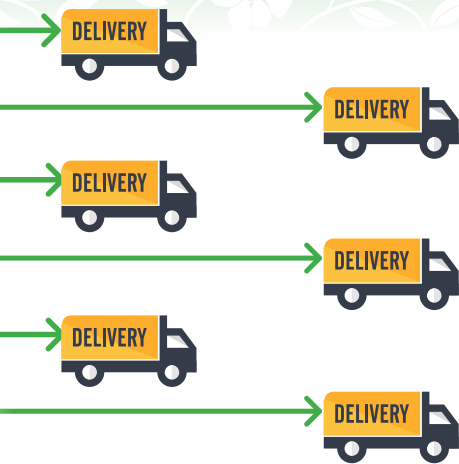
This appears to be quite a range until you check the numbers more carefully. Only shops doing less than \$150,000 in annual sales actually have a high percentage of sales from incoming wire orders. For larger shops, incoming wire orders range from 12.4% to 19.9%. About what is expected.

THE SURPRISE

Think about wire orders for a moment. The overwhelming majority of wire orders are arrangements.

Sure, a few plants and fruit baskets are in the mix, but most orders you receive (or send) are for arrangements.





So, the more meaningful comparison for wire orders is not “total sales” but “total arrangement sales.”

If you look only at arrangement volume, how important are incoming wire orders? Very!

For small shops (less than \$150,000 in annual sales), incoming wire orders account for an astounding 48.4% of total arrangement sales.

What about bigger shops? For shops from \$150,000 up to \$750,000 in annual sales, incoming wire orders make up approximately 30% of arrangement sales.

That’s incredible.

Even in shops doing more than \$1 million in sales, incoming wire orders represent nearly 20% of all arrangement sales. That is significant. One in five arrangements is an incoming wire order.

THE BOTTOM LINE

Wire orders are very important to arrangement volume. Incoming wire orders pay a significant portion of the design room wages. They account for a large share of the fresh flowers you sell.

But are they profitable? There are two ways to answer that question.

First, let’s look at outgoing and incoming wire orders individually. Second, we’ll consider the overall impact of wire orders on profitability.

Everyone agrees that outgoing orders contribute to profitability. You get to keep 20% of the gross outgoing order and collect a service charge on the order. You may also receive a rebate.

On a \$55 outgoing order, that amounts to an \$11 commission (20%) plus an additional \$8.95 (or more) for

your service charge. Not too bad. Total revenue from outgoing wire orders is the equivalent of more than 30% of the gross order.

What about incoming wire orders? Surprisingly, the net is about the same. Look at the economics of an incoming wire order:

	Incoming Wire
Gross	\$55.00
COGS (33%)	(18.15)
Labor (10%)	(5.50)
Wire Commission	(14.85)
Net	\$16.50
% Profit	30%

NOTE: Labor (10%) is the cost of your labor. You may charge the customer more for labor, but your actual cost of that labor is close to 10%.

Incoming wire orders make a nice contribution to your overhead and profit. The net profit is similar to that of an outgoing wire, as long as you control your cost of goods sold (COGS) and labor.

OVERALL IMPACT

What about the total financial impact of all wire orders, both incoming and outgoing?

For one example, we looked at a florist doing approximately \$450,000 in annual volume. First, we added the shop’s revenue from service charges, wire-out commissions and rebates. Next, we subtracted wire-service commissions on incoming orders, the

cost of belonging to the wire services (monthly dues, etc.), and the cost of taking and sending the outgoing wire orders.

The result? In a shop like this one, the revenue gained from outgoing wire orders offset almost exactly the revenue lost on incoming wire orders.

The conclusion? The total package of incoming wire orders plus outgoing wire orders is just as important as local orders as far as the shop’s profitability is concerned. This is critical. Especially when incoming wire orders account for such a large share of the average retail florist’s arrangement volume.

The important point to remember is that the combination of outgoing and incoming wire orders maximizes profitability.

You need both.

A florist who is a net receiver of wire orders will not do as well financially as a shop that has a balance between outgoing and incoming orders.

GOOD BUSINESS

Wire orders are good business. Work on building both your sending and your receiving volume. Sell your customers on the idea that you can give better, more personal service when they need to send an order than an impersonal Internet order gatherer.

You are their florist. Their personal florist. You are here to service their needs. Let them know they don’t need another source for sending wire orders. 🌸

IMPORTANCE OF INCOMING WIRE ORDERS

Volume	Percentage of Total Sales From Incoming Wire Orders	Percentage of Arrangement Sales From Incoming Wire Orders
\$0 – 149,999	33.4%	48.4%
\$150,000 – 249,999	19.9%	30.6%
\$250,000 – 499,999	16.2%	29.6%
\$500,000 – 749,999	18.0%	27.1%
\$750,000 – 999,999	(No florists in this range in sample)	
\$1,000,000 +	12.4%	19.8%



Summer SHOP HOURS

Balancing Time & Money

Do you ever turn away business? “Of course not,” you say. “If someone wants to buy flowers, I’m here. I’ll take their business.”

Not so fast.

The fact is, you turn away potential customers every day. At 5:00 p.m., 6:00 p.m. or whatever your closing time is, you lock the doors. If someone comes by after closing, you’re not open to serve them.

No one would argue with that decision. There’s not enough potential business to justify staying open 24 hours a day.

But where do you draw the line? Stay open too late and the extra expenses will hurt your profitability. Shorten your hours too much and you risk not serving customers well—and perhaps losing them.

What are reasonable hours of operation? Striking a balance requires careful planning.

DAYS OF THE WEEK

Before considering what hours you should be open during the week, answer an even more fundamental question: Are there any days you should be closed?

Only about 20% of retail florists open on Sunday. Although some shops do an active Sunday business, that’s not the norm. Most florists find that Sunday hours are not worth the cost.

What about Saturday? Some owners choose to open on Saturday because

everyone else seems to be doing so. They aren’t particularly busy, but they want to keep up with the competition.

“Keeping up with the Joneses” is not a good enough rationale for any decision on hours of operation. You can make a more thoughtful analysis (keep reading!).

EVALUATING EXISTING EXTENDED HOURS

If you already stay open until 6:00 p.m., 7:00 p.m. or later, a simple test will help you analyze the profitability of your extended hours.

For three or four straight non-holiday weeks, ring out your register every half hour starting at 5:00 p.m. Continue doing so until closing. Track the sales during each half-hour period. (If your charge sales and telephone orders don’t go through the register, be sure to add those sales to your totals.)

At the end of the test period, evaluate the data. Calculate the average sales

for each half-hour period for each day of the week.

The results will show how much your customers are using extended hours. Some days will be stronger than others. Some half-hours will be profitable. Others, not so much.

When your sales are at or below \$30 in a half-hour, it’s hard to justify staying open. You probably should close earlier. Save the payroll and operating expenses.

The data might show that you need longer hours on **certain days of the week**. Perhaps a good number of customers pick up flowers for the dinner table on Friday night. By contrast, Tuesday late afternoon and evening could be very quiet. Set your hours accordingly.

The same analysis can be done for **early-morning hours**. If your day generally starts with a flurry of orders, your customers are probably waiting for you to open. Opening later in the morning would probably not be practical.

You can use a similar test to evaluate the profitability of **Saturday hours**. For three or four straight Saturdays, ring the register out for every hour beginning with the first hour you are open.

Many shops find they can save significant money over the course of a year by limiting Saturday hours. After 1:00 p.m. or 2:00 p.m., the demand just isn’t there. Most of their Saturday sales occur in the morning.

SUMMER HOURS	
SUNDAY	Closed
MON-THURS	?? - ??
FRIDAY	?? - ??
SATURDAY	?? - ??

ADDING EXTENDED HOURS

Suppose you don't currently offer extended hours. How can you determine whether it would make sense to stay open longer?

This is a little complicated. You have to make some assumptions. There's no way to be certain how many sales will materialize if you increase hours. And if you try an experiment, you won't know the results for a while. Customers will need time to learn about and adapt to the new hours.

However, deciding whether to add hours is not a total shot in the dark. There are some helpful guidelines.

The Last Hour. What does your last hour typically look like right now? How busy are you?

If your staff usually spends the last hour of the day cleaning up and shutting down rather than making sales, you probably are not a candidate for additional hours. Your customers' needs are already met by your present hours.

If your staff is busy right up to closing and a few customers are always inside when you shut the door, staying open a little longer might make sense.

Your Location. Look out the window. What traffic patterns do you see? When does the rush hour begin and when does it end?

For a truly accurate picture, contact your city's traffic engineer. This office should have traffic counts for your street for each hour of the day—telling you exactly when it's busy and when it's not.

Do your hours match the traffic flow? Do you close long before the traffic really slows down? Or, conversely, stay open long after the rush hour ends? Some adjustments might be in order.

Competition. The mere fact that another shop is open late doesn't mean much. The question is how suc-

Is It Profitable?

If you can bring in an extra \$1,000 per day, five days a week, by staying open one more hour, you'd be crazy not to do it. That's \$26,000 in extra revenue over the course of the year.

The breakeven point will be different for different shops, but the analysis is simple. When your incremental gross profit from the extra sales exceeds the cost of staying open, that's a good deal.

What are those costs? Basically, payroll. Don't forget to add taxes and benefits to get your true payroll figures. To be really sure it's worth staying open, shoot for sales at least three times greater than the direct costs of staying open.

Successful its extended hours are. If you don't already have the answer, try to find out.

You may know (or at least know of) the owner and be comfortable asking directly. And you can always enlist your staff's assistance. It's a small world. Most likely, your designers know designers at other shops, as well.

A casual question such as "How busy are you from 5:00 p.m. to 6:00 p.m.?" will generally get all the information you need.

If competitors who are in good locations are not busy during their extended hours, odds are you won't be either. However, if they are busy, your shop may have similar potential.

VIRTUAL EXTENDED HOURS

How much of your business comes in over the phone? Shops that do not have much in-store traffic probably can offer extended service without really "being open."

Shut the doors but leave the phone lines open. You will still have to assign someone to answer the telephone. But that is much less expensive than keeping the whole business operating.

When the phone isn't ringing, the person on the "late shift" can focus on office work or other needed tasks.

If keeping someone at the shop to answer the phone is too involved but you still want to take after-hours orders, there are two other options. Have your shop phone forwarded to a line at home. Or use an answering service like Flowers After Hours from Teleflora.

OPPORTUNITY

Review your shop's hours of operation. Can you save money by closing during consistently slow periods? Or increase profits by adding a few more hours?

The ideal pattern for some shops will be a combination of both. Staying open all day on Saturday may not pay. But adding an extra hour on Thursday and Friday afternoons could be well worth the added expense.

Until you take the time to analyze your current situation, you won't really know. Are you spending money you need to save or losing sales you need to gain? Make the effort to find out. 🌸

EXTENDED HOURS:

2 Other Factors

1. SAFETY

Extending a shop's hours can raise security issues. It might be dark after 5:00 p.m. Not as many people are around. Most likely, only one or two staff members will be available to handle the additional hours. It's essential that you do everything you can to keep them safe.

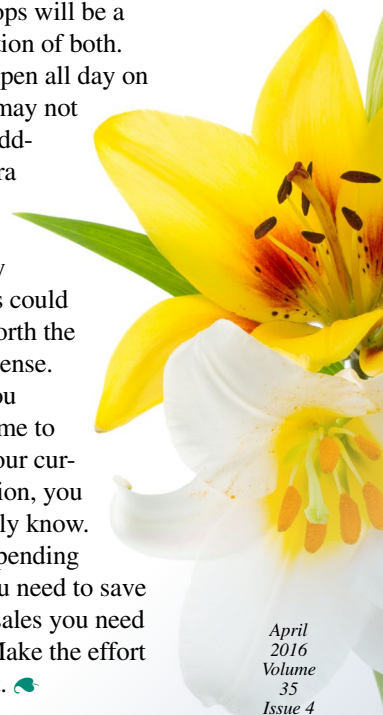
If crime is an issue in your part of town, take extra precautions. Before adding hours, you might contact your local police to see what input they have.

Even in a fairly safe neighborhood, be smart. Don't leave a lot of cash around. Keep emergency numbers handy.

2. DEPENDABLE EMPLOYEES

You'll also want to decide which staff members can best handle the responsibility of running the shop during extended hours. Not everyone will be well suited to the task.

Pick the people as carefully as you pick the hours. Maturity. Dependability. Resourcefulness. Each of these characteristics will be needed.





SUCCESSION PLANNING: *WHAT ARE YOUR GOALS?*



Last month, we explored two essential questions you should answer before beginning any family business succession.

Question 1: Do your heirs want the business or not?

Question 2: Are they capable of running the business successfully?

Assuming the answer to both questions is “yes,” the next major issue is what you hope to accomplish by passing the business along to your heirs. What are your goals?

The most common objectives typically revolve around three issues: retirement income for the older generation, income/career opportunities for the younger generation and passing on family values.

RETIREMENT INCOME

You’ve worked hard. Now you’re ready to retire. The business is an asset you can use to provide for your retirement income and lifestyle.

Most individuals who own a small business enjoy what they do. That’s why they started their business in the first place. Over the years, they also have built a solid reputation in the community. A part, maybe even a large part, of their personal identity is tied up in their work.

Many of these owners have no real desire to quit completely and just relax.

And that’s a good thing. Studies show that people who retire to a life with little to do typically live only a short time. We are made for work and purpose. When activity and meaning are gone, we often follow.

So, allowing the owners to continue to work—gradually passing operational responsibilities to the next generation over time—is a good strategy for the owners’ mental, emotional and physical health. It provides retirement income. At the same time, bringing the next generation onboard ensures the future of the business.

CAREER OPPORTUNITIES

A second objective of many owners is to pass along a significant career opportunity to their children. A well-run small business often yields a better income than a position acquired through the open job market.

Studies show that people who retire to a life with little to do typically live only a short time. We are made for work and purpose.

A business is an asset with value of its own. As such, it has the potential to produce income for the owner whether or not the owner works in the business.

When the owner opts to work in the business, the potential total income is that much greater. The owner gets a

salary as compensation for services rendered. Plus additional income from the profits of the business.

A small business also provides lifestyle and work-related benefits that can’t be duplicated working for a large corporation.

The business’ reputation can bring respect and leadership opportunities in the community. Plus, running a business brings a certain degree of independence. For many owners, that independence is more important than the income.

Finally, operating a small business demands a great deal of responsibility. High achievers find the role tremendously satisfying.

FAMILY VALUES

Although the focus of a business succession plan may quickly turn to financial and managerial matters, the most important objective may very well be to maintain family values.

For example, small business owners typically want their children to develop a solid work ethic. Immersing them in a situation that requires consistent, hard work is a good way to make that happen.

Selling and passing the inheritance on to the children in the form of cash could have the opposite result. Giving someone large amounts of cash can ruin motivation. The recipient doesn’t gain the maturity and character that can be built through the process of struggling to succeed.

Passing the business along to heirs in a form that will require their continued hard work has the reverse outcome.

The children not only get the monetary value, but they also receive a character-building opportunity. Running a successful small business helps develop a strong work ethic, honesty, integrity, the ability to meet challenges and other positive character traits. 🌱

STOP EMBEZZLEMENT

Employers want to believe their employees are honest. But don't confuse wishes with realities. There's more theft in small businesses than you might imagine.

Many retail florists have discovered too late that an employee has been stealing from the business. Anywhere from a little petty cash to a few hundred bucks to many thousands of dollars.

You might think that a small business would be less prone to employee theft than a larger, more impersonal organization. After all, in a small business the staff works closely together. Everyone knows each other.

In reality, just the opposite may be true. A business' small size and informality often creates the opportunity for theft.

HOW IT HAPPENS

Employee theft occurs most often on the sales floor. A customer pays with cash, the sale is never rung at the register (or is voided afterward) and the dishonest employee pockets the money.

But there are other, more creative ways to steal.

For example, when the same person opens the mail and posts payments to the computer, you are asking for trouble. This person can easily take a payment that comes in the mail and pocket it. Later in the day, he or she adjusts the balance of that customer's account. When it's time to make the daily deposit, he or she merely exchanges the check for some of the cash that should go to the bank.

Simple. Quick. Hard to detect.

PREVENTION

Several fairly simple rules can make stealing from your shop more difficult. Put as many of these into place as possible.

1. Break the cash chain.

Don't let the same person process cash from receipt to deposit. Sales people should never handle deposits. The person logging in house account payments also should not be allowed to make deposits.

The more you can separate financial tasks, the better. However, in a small shop, separating tasks can be difficult.

That brings us to the second rule.

2. Have the owner/manager handle cash and deposits.

The smaller the business, the more important it is for the owner/manager to do the daily cash balancing and deposits. Not only does this reduce the opportunity for theft, but if any money is missing, you can spot it more quickly.

3. Rotate hours.

Don't let the same person handle sales at the same time every day. When you rotate shifts, cash thefts will show up as patterns that can be traced to specific employees.

4. Shop your employees.

If you suspect an employee of stealing, have a friend who is unknown to your staff come in periodically to make a quick cash purchase from that employee. Mark the bills the secret shopper will use in advance, and check to see if they make their way into the register.

5. Use a camera.

Install a video camera aimed at the register. Then, transmit the feed to a monitor in the office. Just the thought that someone might be watching will discourage many employees from stealing.

You may not be able to stop all theft. However, with the right systems you can reduce it—and catch whatever thievery does occur before major damage is done to your bank account.

FAMOUS FINANCIAL WORDS

"I'd like to live as a poor man with lots of money."—Pablo Picasso

"I say, you work eight hours and you sleep eight hours—be sure they're not the same eight hours."—T. Boone Pickens

"Market research can establish beyond the shadow of a doubt that the egg is a sad and sorry product and that it obviously will not continue to sell. Because after all, eggs won't stand up by themselves, they roll too easily, are too easily broken, require special packaging, look alike, are difficult to open, and won't stack on the shelf."

—Robert Pliskin

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NORMS

VALENTINE'S SALES

Valentine's Sales

2016

Friday 43%
Saturday 40%
Sunday 17%

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

HOUSE ACCOUNTS & CREDIT CARDS

"We're considering switching our house accounts to credit cards. What are the pros and cons?"

There are both pros and cons.

House accounts cost money—labor, paper, postage, bad debt. On the plus side, house accounts are the traditional way of doing business in the floral industry. They match the personal nature of the business and may help develop customer loyalty.

House account records also help you build mailing and emailing lists. The accounts receivable system reveals customer buying habits, allowing you to better target promotions to those with specific buying patterns and good payment histories.

What about credit cards? They certainly allow you to get your money more quickly. Although you pay a percentage of the sale to the card issuer, those fees probably won't be much more than the bad debt and expenses you incur with house accounts. And credit cards lower your exposure to bad debt.

If you are going to make the switch to credit cards, you'll probably need to retain the house account system for commercial business. When you shift other customers over, explain the benefits to them. They'll have one less bill to pay each month. Plus, you will keep their credit card on file so they won't have to repeatedly give you their information. So, it's just as convenient as when they used a house account.

SHOPLIFTING

"We're beginning to experience some shoplifting. Are there any inexpensive steps that will keep this under control?"

Certainly.

Place a sign on or near the front door that says, "We prosecute shoplifters." And greet everyone as soon as they enter.

Remember, shoplifters prefer a cloak of anonymity. So, take it away. If your shop has any blind spots or out-of-the-way corners, a convex mirror is a good investment. Very inexpensive, but quite effective in opening up those hard-to-see areas.

Finally, be especially on your guard at holidays and during special sales. When the store is full of people and merchandise, it is easy for a shoplifter to get lost in the crowd.

This year Valentine's Day hit on a Sunday. Florists experienced a very unusual sales pattern for Valentine's business. Everyone expected lower sales, but something unexpected happened.

The bulk of the sales came on Friday and Saturday. People actually bought ahead of the holiday.

The good news was that with the business spread over three days, the hectic time was much easier to handle.

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