



**How Important
Are Wire Orders?
And Are They Profitable?** page 2



FINANCIAL
INFORMATION,
EDUCATION
& CONTROL

Floral Finance®



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APRIL 2023
VOLUME 42, ISSUE 4

QuickTakes

*Time to Plan
For Mother's Day*

1

Sales Projections

Projecting sales is not always easy. For the best estimate of this year's Mother's Day sales, look at how your Christmas, Valentine's Day and Administrative Professionals Week sales compared to the year before. The trends on those recent floral holidays most likely will hold true for Mother's Day.

Accurate sales projections provide a firm foundation for your holiday buying.

2

Advertising

What products and styles will you advertise? What media will you use to do so? How much will you spend on advertising?

Don't forget to allocate enough of the budget for ad creation and preparation. Creative services may cost more than you think, especially if you use outside experts.

3

Plan Your Staffing

Mother's Day profitability depends largely on how well you control payroll—especially in the design room.

Look at last year's sales for each day leading up to the holiday. Determine how many hours of design time you will need per day.

Remember, too, that featured recipe arrangements will boost the productivity of your design staff by up to 50%. Definitely a strategy to pursue.

WHO'S ON FIRST?



A classic Abbott and Costello comedy routine involves three baseball players named "Who," "What" and "I Don't Know." An unsuspecting interviewer is asking the manager about his players: "All I want to know is what's the name of the guy on first?" the reporter asks.

"No, What's on second."

"Who's on second?"

"No, Who's on first!"

"I don't know."

"He's on third."

Confusion reigns.

Confusion is funny in a skit.

It's not so funny when you're managing a flower shop. You have to know each player's role.

Take accountants and bookkeepers. Who should perform each financial task?

Accountants are financial and operational professionals. They prepare financial statements and tax returns.

Help on the big items—tax returns, financial statements and business advice—is the role best suited to these professionals.

Bookkeepers are also important. However, their domain includes everyday financial tasks.

They track daily sales, balance the cash drawers, make deposits, prepare payroll, enter data for financial reports and process receivables. Because bookkeepers are not as expensive as accountants, they are ideal for helping you manage the daily routine.

Know who's on first. And who's on second. Your business will be a winner.

Paul Goodman
Editor

Paul Goodman can be reached at plgoodman@aol.com.

On the cover: Teleflora's
Nature's Best Bouquet



Some florists see wire orders as an important—but not very profitable—customer-centered service.

A second group says outgoing wire orders are profitable and incoming orders are not. (In fact, this may be the majority view.)

Still other florists love every wire order—incoming and outgoing alike. They pursue incoming volume through email and directory advertising, website promotions, an 800 number and networking at industry events.

WHAT'S THE TRUTH?

For years, most industry "experts" agreed that overall wire-order volume was only about 15% of total florist sales.

Floral Finance's database confirms those numbers. However, any conclusion that wire orders are insignificant is just plain wrong. Let's see why.

Look at the Importance of Wire Orders table on page 3. Depending on shop size, gross incoming wire orders (excluding delivery charges) range from a low of 12.4% of sales to a high of 33.4%. That's quite a range.

But check the numbers more carefully.

Only shops with less than \$150,000 in annual sales reported a high percentage of incoming wire-order sales.

Incoming larger shops (at least \$1 million in sales) ranged from 12.4% to 19.9%. About what was expected.

THE SURPRISE

The overwhelming majority of wire orders are arrangements.

Sure, there are a few plants and a few fruit baskets, but most wire orders you send to or receive are for arrangements.

So, let's ask another question.

Looking only at arrangement sales volume, how important are incoming wire orders?

How Important Are Wire Orders?

And Are They Profitable?



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? In shops doing \$150,000 to \$750,000 in annual sales, incoming wire orders are approximately 30% of arrangement sales.

That's incredible.

Even in shops with more than \$1,000,000 in sales, incoming wire orders are nearly 20% of total arrangement sales. One in five arrangements is an incoming wire order. That's significant.

Conclusion?

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

ARE THEY PROFITABLE?

There are two ways to answer that question.

First, we'll look at outgoing and incoming wire orders individually.

Importance of Wire Orders

Total Sales	Percentage of Total Sales From Wire Orders	Percentage of Arrangement Sales From 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%

Second, we'll review wire orders' overall impact on profitability.

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

On a \$55 order, that amounts to an \$11 commission (20%) plus \$6.95 (or more) for your service charge. That's the equivalent of over 30% of the gross outgoing order.

What about incoming wires?

Surprisingly, the net is about the same:

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

NOTE: The labor line item is the cost of your labor. Although you may charge 20% or more for labor, your actual cost for that labor is closer to 10%.

Incoming wire orders make a nice contribution to overhead and profit. Of course, similar to an outgoing wire, you must control COGS and labor well.

OVERALL IMPACT

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

As an example, we analyzed a shop with \$450,000 in annual sales. First, we added up the revenue from service charges, wires-out commissions, and rebates. Next, we subtracted wire-service commissions on incoming orders, wire-service dues and costs, and the cost of taking and sending wire orders.

The result? A virtual wash.

The revenue gained from outgoing wire orders offset almost exactly the revenue lost on incoming wire orders.

So, when you think about wire orders, look at the total package. Incoming wire orders plus outgoing wire orders are just as profitable as local orders.

But remember, you need both incoming and outgoing wire orders.

The florist who is a net receiver of wire orders will not do as well as a shop that balances outgoing and incoming orders.

Work on building your sending and receiving volumes. Sell customers on the idea that you can provide better, more personal service than an impersonal 800-number internet order gatherer.

You are their florist. Their personal florist. They don't need another source for wire orders. *

Summer Shop Hours

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 whenever your shop closes, you lock the doors. If someone comes by, you're not there to serve them.

You can't justify the expense of staying open 24 hours a day. But where do you draw the line? Stay open too long and you will hurt your profitability. Stay open too little and you risk not serving customers well.

So, what are reasonable hours of operation for a flower shop?

START WITH DAYS

Before determining the hours you will be open, there's an even more fundamental question: What days should your shop be closed?

Only about 20 percent of retail florists are open on Sunday. Although some florists do an active Sunday business, most find that Sunday hours are not worth the cost.

What about Saturday?

Some florists stay open on Saturday because they see other shops doing so. They want to keep up with the competition—even if they aren't particularly busy on Saturday.

That is not good enough. You need to carefully decide on the best schedule for your shop—both hours and days.

FEWER HOURS

If you close at 5:00 p.m., you don't need to worry about excessive hours. It's the florists who are open until 7:00 p.m. or later that need to be careful.

Here's how to evaluate the profitability of extended hours.

For three or four non-holiday weeks, ring out your register every half-hour from 5:00 p.m. until closing. Capture the sales totals for each half-hour period.

At the end of the test, calculate your daily average sales for each half-hour period.

You'll quickly see how your customers use the period after 5:00 p.m. Some days will be stronger than others. Some half-hours will be profitable. Others, not.

When sales trickle down to \$30 or less in 30 minutes, it's hard to justify staying open. You probably should close earlier. Reduce your payroll and operating expenses.

However, longer hours may make sense on certain days of the week. Perhaps more people drop by on Friday night to get flowers for the dinner table. If so, set your hours accordingly.

You can do a similar analysis for early-morning hours. If each day starts

with a flurry of orders, your customers are probably waiting for you to open. Delaying your opening would not be wise.

SATURDAYS

Use the same basic technique to evaluate Saturday's profitability. Ring out the register every hour of the day beginning with the hour you open.

Many profitable shops open for only part of the day on Saturday. By 1:00 p.m. or 2:00 p.m. in the afternoon, business is too slow to warrant the expense.

IS IT PROFITABLE?

If you can bring in an extra \$100 per day, five days a week, by staying open an extra hour, you'd be crazy not to do it.

That's \$26,000 per year in added volume. A big chunk of change for very little in added costs—mostly just an extra hour of payroll (including taxes and benefits).

Whenever the incremental profit exceeds the cost of staying open, that's a good deal. If you want to be conservative, require sales of at least three times the direct costs for each hour you are open.

SHOULD I TRY MORE HOURS?

Evaluating the profitability of adding hours to your current schedule is more challenging. You will have to make a few assumptions. And the results



won't be clear immediately. It will take customers time to learn about your new hours.

However, following two guidelines will help the analysis.

1. Your Last Hour

What does your last hour look like now? How busy are you?

If your staff is spending the last hour cleaning, rather than making and servicing sales, you are not a strong candidate for additional hours. Your present schedule meets your customers' needs.

On the other hand, if sales are strong right up to closing time and a few customers are always in the shop when you lock the doors, staying open a little longer may make sense.

2. Your Location

Location is by far the single most important factor in setting a shop's hours. What are your traffic patterns? When does the rush hour begin and when does it end?

For the best picture of your neighborhood's "people flow," call your city's

traffic engineering department. This office undoubtedly will have your street's daily and hourly traffic counts.

Once you have that data, ask a few simple questions. How do your business hours match the traffic flow? Do you close before the traffic really slows down? Or are lots of potential customers still in the area when you lock your doors?

COMPETITION

Looking at your competitors can also help. What hours do they keep? Where are they located? How does their size compare to you? How do they promote their hours?

The mere fact that another shop is open late doesn't say much. The question is how successful their extended hours are. If you don't already know the answer, try to find out.

You may be comfortable asking the owner directly. Or enlist your staff's assistance. Your team members may know designers at other shops.

There's no reason to probe for confidential information. A casual question such as "How busy are you from 5:00 p.m. to 6:00 p.m.?" will produce all the information you need.

If competitors in situations comparable to yours 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. A decision to close early may be a costly one.

ANOTHER ALTERNATIVE

How much of your business comes in over the phone? Shops without a lot of in-store traffic can offer extended service without really "being open." Here are four approaches:

1. Keep the door closed and the phone lines open. Assigning someone to answer the telephone will be less expensive than keeping the whole business operating.

The "late shift" staffer can focus mostly on office work or other needed tasks, while being ready to answer the phone, if needed.

2. Have the shop's phone forwarded to a line at home.
3. Promote after-hours orders through your website.
4. Or use Teleflora's Flowers After Hours answering service.

OPPORTUNITY

Review your shop's hours of operation. Can you save money by closing during existing slow periods? Could you increase profits by staying open a little longer? Would a combination of both strategies be even better?

Who knows? Opening all day on Saturday may not pay. But adding an extra hour on Friday might be well worth the expense.

One thing is certain: Until you analyze your situation carefully, you won't really know.

Make the effort to find out the best days and hours for your business. 

Two Other Considerations

1. Safety

Extended hours will raise security questions. It might be dark at night. Not as many people are around. You don't want to put your staff at risk. So, take a few extra precautions.

- Many shops require at least two employees to be present at all times.
- Don't leave a lot of cash around.
- Keep emergency numbers handy.

2. Dependable Employees

Identify which employee(s) can best run the shop during the extended hours. The job requires high levels of maturity, dependability and resourcefulness.

Not every employee is well suited to the task. Pick your people as carefully as you pick the hours.



Last month, our succession series explored two foundational questions. Do your heirs really want the business? And could they run it successfully?

Assuming the answer to both questions is “yes,” you should next consider what you hope to accomplish by passing the business to your children.

The three most common goals are:

1. Enhancing the owner’s retirement
2. Boosting the children’s income and careers
3. Building family values

YOUR RETIREMENT

You’ve worked hard to build your shop. Now that you’re ready to slow down, you can use the business to enhance your retirement income and lifestyle.

Most small business owners enjoy what they do. That’s why they started the business in the first place. A part—maybe even a large part—of their identity is tied up in their work.

These owners often want to continue working into retirement.

And that can be a good thing.

We are made for work and purpose. Quitting work and doing nothing isn’t healthy. Phasing out over time, by contrast, keeps you active. And the next generation will benefit from your insights and experience.



What Are Your Goals?

Business continuity, an ongoing—albeit declining—role for the parents and meaningful retirement income. It’s a great combination.

CHILDREN’S CAREER/ INCOME OPPORTUNITIES

A well-run small business provides owners with more income than they could make in the open job market.

**The chance to
“be your own boss”
also appeals to
those who want to
be independent and
make their own way.**

A business is an asset. As such, it has value. So, the owner can take a paycheck for services rendered plus additional income from the business’s profits.

A small business also offers lifestyle and work-related benefits that would be difficult to duplicate elsewhere.

high-level responsibilities.

BUILDING FAMILY VALUES

Although the financial advantages of family business succession are big, the chance to build family values may be even bigger.

Small business owners want their children to have a solid work ethic. Immersing them in a situation that requires consistent, hard work will help accomplish that goal.

Parents who sell a business and pass the cash on to their children can’t do that. The gift may even ruin the children’s motivation and drive.

Maturity and character are built through struggles, setbacks and hard work. So, parents who pass their estate down as a business rather than as cash are doing their children a favor.

The children gain strong character values, not just money.

Work ethic is only part of the story. Business ownership can also reinforce the importance of honesty, integrity, working together to meet challenges and treating employees fairly. ☀

Stop Embezzlement

Employing Thieves

All retail florists want to believe their employees are honest. But don't confuse wishes with reality.

Florists that have uncovered employee theft—too late—report losses ranging from \$10,000 to \$30,000 or even more.

You might think a small business would be less prone to employee theft. After all, everyone works closely together. Everyone knows each other.

However, those are the very factors that create the opportunity for theft.

HOW IT HAPPENS

The sales floor is the most common place for theft. The customer pays with cash. A dishonest employee doesn't ring up the sale at the register (or voids it afterwards). Instead, he or she simply pockets the money.

Having the same employee open the mail and post payments creates another opportunity for theft. It would be easy for a dishonest person to open a mailed-in check, enter the payment and update the customer's account—only to pull out an equal amount of cash before making the daily bank deposit.

Simple. Quick. Hard to detect.

PREVENTION

You can't prevent all employee theft. But you can make it more difficult, easier to spot and less likely to cause real damage. Here are five helpful steps.

1. Break the cash chain.

Don't let the same person process cash from the beginning to the end. Salespeople should not handle deposits. Have one employee log in account payments—and another make deposits.

The more you can separate financial tasks, the better.

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

The smaller the shop, the more the owner/manager should be personally responsible for daily cash balancing and deposits. This reduces the opportunity for theft. And if anything is amiss, you can spot it more quickly.

3. Rotate hours.

Switch salespeople's schedules around frequently. Different hours. Different days of the week. By rotating shifts, cash thefts will show up as patterns, which you can then trace to who was working each time.

4. Shop your employees.

Periodically have a friend who is unknown to your employees make a quick cash purchase from an employee you suspect may be stealing. By



marking the bill in advance, you can easily see if it makes it to the register.

5. Use a camera.

Install a video camera aimed at the register. Transmit the video feed to a monitor in the office.

Just the thought that someone might be watching can be a great preventive. *

FAMOUS FINANCIAL WORDS

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

"Work eight hours and sleep eight hours and make sure they are not the same."

—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, won't stack on the shelf." —Robert Pliskin

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

Letters


CREDIT CARDS

"We're considering switching our house accounts to credit cards. Is that a good idea?"

There are pros and cons.

House accounts cost more money than you might think. Labor. Paper. Postage. Bad debt. It all adds up.

However, house accounts fit well with the personal nature of your enterprise. They may help build customer loyalty. In addition, the account list provides a nice base for direct-response mail promotions. You know the recipients' buying habits. You can target promotions for specific products to the best candidates—and decline to send promotions to customers whose accounts are past due.

With credit cards, you get your money more quickly. Although you must pay a percentage of each sale to the card issuer, that amount may not be much more than what you spend on processing house accounts and lose to bad debt. And credit cards definitely lower your exposure to bad debt.

If you decide to switch, do it carefully. Retain house accounts for your commercial customers. Remind other customers of the advantages of credit cards. They'll have one less bill to pay each month. And you can keep their credit card information on file, so charged purchases will be as easy as ever.

**SHOPLIFTING**

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

Certainly.

Place a sign on or near the front door that says, "We prosecute shoplifters."

Greet everyone as soon as they enter the store. Shoplifters prefer a cloak of anonymity. So, take it away.

If you have any blind spots or out-of-the-way corners, install a convex mirror. An inexpensive investment, but very effective in opening up hard-to-see areas.

Finally, be especially watchful during holidays and special sales when the store is crowded with people and merchandise. These are the times that present the most danger.

NORMS**SHOP CLOSINGS**

The approximate percentage of U.S. flower shops that have closed since 1996. Slightly more than 27,000 flower shops reported a payroll in 1996. Today that number is about 12,000.

Unless another florist buys the shop name, customer list and phone number, many of a closed shop's customers simply disappear. They don't go to another flower shop. They refocus their "gift" dollars on another type of product.

So, if you see a shop closing in your area, try to buy their name and phone number. You'll boost your sales and keep their customers buying flowers.

Source: Floral Finance Business Services

FLORAL FINANCE is published 12 times a year by Teleflora LLC

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

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