

EDITORS' NOTE *Paul Goodman, MBA, CPA, PFCI, and Derrick Myers, CPA, CFP, PFCI, love a good financial management challenge, however big or small. Send your questions to fmeditor@safnow.org, and we'll challenge the experts to tackle them in an upcoming article.*



The Skinny on

Product Sales Reports

How understanding this key report can put your business on a path to long-term profitability

BY PAUL GOODMAN, MBA, CPA, PFCI

Your point of sale system can produce many management reports. The product sales report is critical in order to manage for profitability. One great thing about the report? It's flexible. You can generate a product sales report to cover any date range, a day, a week, a month or a year. In fact, your product sales report is one of the most important tools you have from your POS to run your flower shop with an end goal of profitability. It provides the data required to accurately forecast your buying and to staff properly. It's easy to get from your POS system and is something you ought to rely on at least monthly if not weekly. This report gives you the information you need to manage both your cost of goods sold (COGS) and your payroll. Those are the two most important expenses to control if you want to make a decent profit.

Buy Smarter

Controlling COGS is a function of both your buying habits and how well you stick to your pricing formulas in the design process. A good product sales report won't help with the problem of stuffing (i.e., putting too many flowers in an arrangement). It will, however, help you on the buying side to make sure you don't buy too much product. Your product sales report is an invaluable tool to get your buying right.

Most retail florists have two types of modes: holiday and nonholiday. For nonholiday times, which make up 10.5 to 11 months of the year, your weekly sales will be amazingly level, with an occasional spike due to extra funerals, weddings or events.

Create a product sales report for several nonholiday weeks and find your particular pattern. Exclude weddings and events because you plan for them individually. You can quickly determine your fresh flowers sales for your average nonholiday week. Cut flowers and greens should not exceed 25 percent of your fresh sales. If you can stick to buying no more than 25 percent of your expected fresh sales, you should maintain good control of your COGS. Many florists do even better than 25 percent and get down to 20 percent.

Your product sales report will also tell you what your plant and gift sales are each week. You can then plan to purchase enough of those items to be fully stocked.

Your major holidays — Valentine's Day, Administrative Professionals Week, Mother's Day and Christmas — will show an increase in sales that vary by the holiday. It is important to know how much to expect for the whole holiday period, not just the day. It is also important to know your sales by day leading up to the holiday. This daily data will help you make sure your product will arrive on time to meet your needs.

Keep Payroll on Track

Your payroll target is 30 percent of sales. That includes a salary for the owner/manager and all payroll taxes and employee benefits. It's not an easy formula to stick with, but the product sales report will help again.

Use your report to get the data necessary to project various work levels

in your shop. I'll use the design room as an example. The report can tell you how many arrangements your team created each day of the week. You know about how many designs you can expect from your designers. (Normally, an experienced designer can produce four average arrangements per hour.) Set the number of design hours to match the workload expected and no more. That will ensure a reasonable payroll come payday.

Do the same for sales and delivery. Your reports will tell you how many deliveries you can expect each day of the week and how many sales by hour of the day, and you can staff accordingly. You can see the busy periods and can staff to meet the customers' needs while not overstaffing.

Generate the Report

There are two steps to obtaining the information you need. Start by getting the product sales report for the month just completed from the previous year. Compare that report to how your sales are running for the same month this year. If you have been running at a 10 percent increase, you can safely assume your sales next month will most likely follow that pattern and plan accordingly.

Sales, however, can change quickly. That's why you must do this analysis at least every month to see how you are doing and then make necessary adjustments in your buying. The quicker you make an adjustment, the better you will control your COGS, especially if your sales are decreasing. You can lower your future purchases and have a sale to move your current excess product.

Here's that scenario in action: Suppose you sold 2,500 poinsettias for the Christmas season last year. By breaking the report down to smaller date ranges, you know that you sold 2,000 of the plants by Dec. 18, 2018. Since your sales have been fairly level year over year, you order the same 2,500 poinsettias for the 2019 season. You then use your product sales report to monitor how you are doing. If you notice that you've sold 500 fewer in the first two weeks of the holiday compared to last year, you can react proactively, perhaps with a special sale to move more poinsettias quickly.



PREP FOR THE FUTURE

Thinking about what you need to do *today* to prep your business for its next chapter and yours? Join Paul Goodman, CPA, MBA, PFCI, and veteran retailers in September at SAF Amelia Island 2019, the Society of American Florists' annual convention, for an educational session on how best practices in financial management can make your business attractive to potential buyers and ready for the next generation. Find out more and register for the convention at safnow.org.

User Beware

Today's POS systems make the job of tracking sales like a walk in the park. That's good; however, it can also tempt you to get more detail than you need. You can break your sales down into hundreds of categories if you want. You could make every different arrangement into a category. Be careful. Too much detail can not only be overwhelming but also make the report meaningless for management purposes. Make the data work for you, not the other way around.

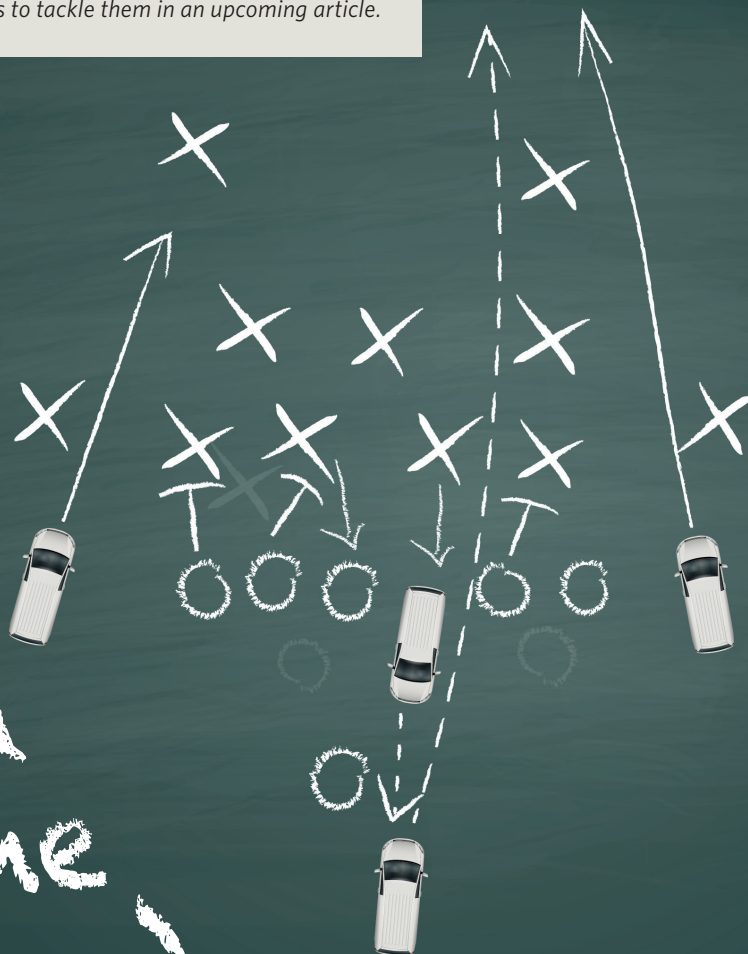
If you keep a lot of detail on sales to help you with buying, make sure you categorize them into a few larger categories to make your overall managing tasks a bit easier. For example, you might want to limit your major categories to "Silk & Dried," "Loose Flowers," "Arrangements," "Blooming Plants," "Green Plants," "Balloons, Food Items and Gifts." These six categories will give you the big picture of what is happening with sales in your shop. 🐢

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Holiday delivery can be efficient and profitable when you create and stick to a solid plan.



Get in the Delivery Zone

BY PAUL GOODMAN, MBA, CPA, PFCI

Major floral holidays come with myriad challenges for retail florists: Higher volume means more potential sales, of course, but also more costs. Delivery is one area that, when not handled properly, can reduce your profit margins — around the holidays and year round.

The solution: Create a delivery plan and stick to it. To ensure your deliveries contribute to your bottom line, divide them into five categories:

- Standard local deliveries
- Standard delivery zones
- Special deliveries outside your zones
- Timed/rush deliveries
- Holiday deliveries

Remember, many point-of-sale systems let you enter a delivery charge based on the recipient's zip code. Align your various delivery zones with zip codes and then set up the prices accordingly. That way, you and your staff won't have to figure out what the delivery charge is going to be for each order. Instead, the information will appear automatically on the order.

Standard Local Deliveries

These deliveries are typically close to your shop, usually within five miles. Your geography can change this average. Railroads, rivers, highways and other developments can also quickly increase the time and mileage of deliveries.

Take a map of your city. For the next 100 deliveries, plot the delivery point on the map. Then step back to get a big-picture view of your deliveries. Normally, you will see a concentration of most of your deliveries around your shop. That should be your standard local delivery zone.

Track your mileage and number of deliveries in that zone for the next week and calculate the average mileage. Using an average cost per mile for vehicle, fuel and driver of \$1, calculate what your standard delivery cost is. Double this cost to set your standard price. If it comes out less than \$9.95, set \$9.95 as your basic charge anyway. (That's the minimum any florist should charge in 2018.)

Standard Delivery Zones

Use the same process to determine your delivery cost in each zone. Use your mapping project to identify your most common zones. The number of deliveries will likely be fewer per trip than your local zone, so the average mileage will be higher and lead to a higher price.

Special Deliveries Outside Your Zones

Deliveries in this category tend to involve one arrangement at a time. Take the

GO DEEPER

For an overview of labor, fuel and vehicle costs, read Part I in our Delivery series, from June 2018, at safnow.org/moreonline.

total mileage for the delivery (out and back), multiply by your cost per mile and then double it.

If the figure seems too high, you can choose to do it for less. Just make sure you cover your costs. Alternatively, you can refuse the order or send it to another florist as a wire order.

Timed/Rush Deliveries

These orders normally require you to schedule a driver to make a single delivery at a given time. I recommend charging double your regular delivery fee.

If you want to capture more of this kind of order, set up "Standard Rush" delivery charges in your normal delivery zones. Assume you will make a single delivery to an average distance in that zone and do the math.

Holiday Deliveries

For decades florists have tried to lure customers to take early delivery for a holiday, especially Valentine's Day. Conclusion? It's a hard sell.

Another approach: Charge more for handling these holiday deliveries. For Valentine's Day, consider charging 30 percent to 50 percent more for deliveries on Feb. 14 and 15. If someone calls on those days for a delivery, up the price even more. Your finances will thank you, and experience says your customers will not balk.

Wanted: Reliable Drivers

Zones and fees aren't the only considerations with delivery. Drivers are also a significant cost and finding them can be a time-consuming task.

There are two categories you need to cover: everyday and holiday drivers. Both present unique challenges.

Everyday Drivers

Many florists make the mistake of hiring only full-time drivers. To keep your driver costs as low as possible, it is necessary to vary the amount of driver's hours based on your delivery activity.

For the next three weeks that are nonholiday, track how many deliveries you make each day. Calculate the average number of deliveries for each day of the week.

A full-time driver can make 20 to 25 deliveries in an eight-hour day. This

translates to about three deliveries per hour. Calculate the number of hours you need for each day. Hopefully you can schedule for that number of hours and no more.

How do you find drivers who are so flexible for everyday deliveries? One proven source is to hire retired people as drivers. Most retired people do not want full-time work. They will come in and work as needed and then go home when the work is done.

In addition, they are normally experienced and capable drivers as opposed to a younger person who might want to race out of every stoplight.

For everyday drivers, make sure you get your vehicle insurance company to pull MVRs (Motor Vehicle Report) on each driver to see what ticket and accident history they have. In addition, you might want to do routine drug testing, which normally you can have done at a local medical lab.

Holiday Drivers

Getting holiday drivers is no easy task. In addition to the usual sources — off-duty police, firefighters and delivery service drivers — here's an idea that has paid off for many retail florists.

Find a local group that needs to raise funds, like the school band or a church group going on a mission project. Offer them a fixed amount per delivery. You'll get people out to help with deliveries that you would otherwise never be able to hire.

And that brings up the issue of what to pay for deliveries. Most florists prefer a fixed amount per delivery. You will be safe paying the same amount that is your average cost for delivery or even a little more.

You'll still make a nice profit on your deliveries, and your drivers should be happy. The fee will cover the cost of operating their vehicles and give them a nice hourly wage. Most volunteers from an organization will volunteer their time and give the entire fee to the project. 🌿

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