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Tips FOR Tipping

BY PAUL GOODMAN

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Is accepting tips a good idea? Do customers leave tips? How do florists handle the distribution of tips? The emergence of tip jars at florists' shops — and on their websites — creates a host of new questions.

When you think of tipping, you normally think of restaurants, delivery drivers or barber shops and salons, but the pandemic sparked the trend of consumers and businesses thinking about tipping more broadly. Generally, the service staff at a restaurant is paid a "tipped wage," which is less than minimum wage, so they depend on tips to earn more money. One would never — or rarely — consider tipping at most retail stores. So, where do retail florists fit into the tipping scene? Historically, they haven't, except for an occasional tip to a driver.

It's true that for the most part the floral industry is a 'low-wage' industry, however, not nearly as low as restaurants. Many florists feel that the customer is already paying a lot for arrangements, and they don't want to solicit more money. Others say that tipping, when done properly, is not pushy and strictly voluntary. Wherever you land on that spectrum, here are a few guidelines for handling tips.

When and Where Does the Customer Tip?

Most customers leave a flower shop without tipping. Even if you have a tip jar on the counter, it's probably not used much. Most tips come from orders that are placed online. Florists will often include a tip jar in the add-on section of their website, with suggested amounts of \$3, \$5, \$8, \$10 or a place for the customer to add a different amount. The tip jar also appears on some websites during the checkout process.

It is not unusual for customers who have tipped online to inquire about adding a tip when phoning in an order.

Who Gets the Tips?

Some customers will tip the designer and others will tip the driver, or both. Keeping track of who designed what arrangement and who delivered each order that had a tip attached creates a lot of work. The florists I've talked with have decided to put tips into a tip pool, which is then divided between the employees. (Management is excluded from receiving tips.) The total amount in the tip pool is divided by the number of hours worked for a set period by all nonmanagement employees to get an hourly rate for tips. Then, that hourly rate is multiplied by each person's hours worked to determine their share of the tips. For example, suppose the tip pool has \$1,000 in it and the total number of hours worked by nonmanagement employees during that period was 1,000. Divide the \$1,000 by 1,000 hours and you get an hourly tip rate of \$1.00. If someone worked 40 hours during that period, they would get \$40.

There is an exception. Drivers and employees who work on special projects or events and are tipped directly by the customer are allowed to keep those tips.

What About Taxes?

Federal and state governments want employment and income taxes to apply to tips as well as wages. That's why it is important to run all tips through your payroll system. The tips need to be included in the shop's payroll tax calculations with each payroll period and in each employee's W2. This can be done in two ways.

First, add the tip amount to the wages for the payroll period and pay them out with wages at payroll time. This is probably the simplest way to handle tax and accounting issues associated with tips. However, many employees enjoy being handed cash. If you want to dole out cash to keep employees motivated, you would add the tip amount to the wage calculation and then subtract the amount you give out as cash as an advance on the payroll records. This requires an extra accounting step, and if most of the tips were submitted online, you will need to get cash from the bank and count it out for each person. It's well worth the extra effort to give cash given the impact it has on employee morale.

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One practical point: An employee's tip most likely will not come out to an even amount. Rather than hassle with pennies, round down to the nearest dollar and hand out bills, but use the exact tip amount — including cents — for payroll purposes.

How Often Should Tips be Distributed?

This depends on how much is in the tip pool. You don't want to give out a couple of dollars. That doesn't seem worth it to anyone. Many florists distribute tips quarterly when the hourly tip rate is high enough to make a real impact. However, that may be too long to wait, especially if you get a lot of tips. One florist told me that her employees were averaging \$2.50 per hour in added wages from tips. That adds up to a significant amount and

can be given out more frequently. If your shop consistently collects a significant amount of tips, don't forget to mention that when talking with job candidates about their wage expectations.

What's the Policy?

Like everything else that involves your employees, make sure that everyone is on the same page and understands the policy on the distribution of tips. Write a policy and require employees to sign and date it. The policy should clearly outline eligibility criteria. For example, some florists do not want new employees who are in a trial period to be eligible for tips. (If that's the case, make sure to subtract their hours from the total hours when making the hourly calculation.)

Is Tipping for You?

Tipping can be very profitable for your employees, but it can also come off as pushy if it's not done in a subtle, tactful way. If you decide to jump on the tipping bandwagon, be sure to do it in such a way that the customer feels no obligation to tip. You might also want to talk with a few other florists to learn about their experiences and best practices. 🌿

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