



EDITORS' NOTE *Paul Goodman, MBA, 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.*



TIGHTEN DOWN WITH THE SLOW DOWN

It's time to look closely at your business's expenditures and identify which costs can be eliminated or reduced.

BY DERRICK P. MYERS, CPA, CFP, PFCI

Many florists are still on a high from the great sales and profits they enjoyed in 2020 and 2021. For many, sales and profits have been the best in the history of their businesses, and money has been plentiful. However, this trend may not continue through the rest of the year and into next year. Although most florists have continued to see some growth — at least in the early part of this year — it has been much slower than in 2021. Looking more closely at the data from clients, the number of transactions is declining, and the only reason sales are up is because florists have raised prices to account for the costs of goods, which are rising at unprecedented rates. Shipping, gasoline and labor are up 50 percent from two years ago, according to data from the dozens of florists I work with, and most other expenses are increasing from 10 percent to 25 percent or more. These cost increases can quickly erode profit margins and drain cash reserves.

During this time of economic change, look more closely at your company's spending. Take an in-depth look for at least one month to see if there are any expenditures to eliminate or reduce. Here's where to look:

Cost of Goods Sold and Inventory

With the cost of product and freight rising, business owners must be more diligent than ever to make sure that their pricing models are up to date with today's economics and generate sales that maintain a profit margin. In the last two years I have seen cost of goods climbing 2 to 3 percent. If you are not adjusting sales prices at the same pace as cost increases, your gross margin will drop very quickly.

Inventory has been a real challenge the past two years as well. The lack

of availability of many products has forced florists to buy larger quantities of products when they are available. Since cash flow has been strong, investing some money into extra inventory has not been an issue. However, as sales slow and money tightens up, controlling and reducing inventory is going to become more important to help manage your cash flow.

Discounts

Re-examine any discounts you offer to funeral homes, wire services, other businesses, and even the specials you offer customers online or in-store. Keep the discounts that provide you with enough profit margin to make them worth your time and energy. Target profitability in the floral industry is 20 percent, so if you offer a discount of that much or more then theoretically you are not making a profit.

Labor

Labor is one of a business's largest costs. Make sure you are conducting employee evaluations to determine whether employees are productive, whether they fit into the future of the business, and how they help move the business forward. (The Society of American Florists has productivity tools in its learning hub, Career Connection, to help determine wages for salespeople and designers.) This is the time to look at each of your employees' strengths and weaknesses and their goals and do what you can to help them.

Vehicles

Evaluate the condition of your delivery vehicles. Be cognizant of maintenance costs and how those expenses compare to the cost of purchasing a new vehicle. It makes financial sense to purchase a new vehicle when the annual maintenance cost of an old vehicle exceeds the monthly payments and maintenance costs of a new vehicle. It's also important to make sure that you have the proper number and types of vehicles to handle the deliveries that you anticipate.

Insurance

Most of us are very aware of how much we spend on health insurance and what benefits are offered. But there are a lot

DON'T TOUCH IT!

There are some expenses that are always worth the investment, no matter what the economic climate:

- **Marketing.** Your marketing budget should be one of the last areas you reduce because it will help you keep your sales levels up (or from dropping as much) if there is a recession.
- **Legal Representation.** Having attorneys lined up to help in the different areas of your business — whether it be corporate issues, legal complaints, or injuries — is worth the cost.
- **Accountant.** Tax preparation is just a small part of what your accountant should be able to offer. A good accountant should be able to identify areas where you could save money, provide risk assessments and more. Having an accountant with knowledge of the floral industry can help you evaluate your business to make it more profitable.

of other types of insurance that we pay year after year without giving them a glance. There is liability insurance, property insurance, auto insurance, workers' compensation, and business continuation, to name a few. As your insurance policies renew, be sure to review the coverage and don't be afraid to shop for the best combination of benefits and cost savings.

Deliveries

Are your deliveries costing you money? With the rising cost of gasoline and wages, it's important to review your delivery charges. One of the best practices is to set delivery zones and set delivery fees by zone. Those fees should be based on two costs: vehicle and labor. To determine labor costs, track the productivity of your drivers by the number of deliveries they make, the number of miles driven, and the hours they worked. That information determines the cost per delivery per driver. (Career Connection has a spreadsheet that can help you calculate the cost per delivery.)

Telephone and Internet Services

If it's been a while since you signed up with your telephone or internet provider, it may be time to evaluate your needs and shop around for the best price.

Dues and Memberships

Make sure that the organizations and clubs you belong to are providing you value for your dollars. Some organizations, including SAF, offer members free resources and discounts on services

such as car rentals. Check with the organizations you are part of to see what resources and discounts they offer.

Donations

Re-examine your business's donations. Be sure that donations are going to an organization that you want to support philanthropically, or that the donation may benefit you as a promotion to increase sales.

Banking

Shop around and find a bank that will work with you and provide the finances you need to run the business effectively. Service charges and interest are the two largest bank expenses. If possible, refinance loans to better terms to reduce interest. Consolidate and/or refinance credit cards. Find credit cards that offer discounts, points or other benefits that help reduce the overall cost.

Make a Roadmap

If it has been a while since you've analyzed these areas of your expenses, now is the perfect time to focus on where you could find cost savings. Knowing which costs you can cut if cash begins to dwindle will help you weather the storm that appears to be coming. On any journey you need a map to get there, so make yours now! 🗺️

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