



PASSING THE TORCH Sally and John (pictured on left) Kobylinski recently sold their Orlando, Florida shop, In Bloom Florist, to Susan Lo (on right). The Kobylinskis had several offers, but held out for the right buyer.



What's Your Exit Strategy?

Selling a floral business requires early and diligent planning — and the right buyer.

BY SARAH SAMPSON

Kevin McCarthy's phone has been ringing frequently with owners of retail florist shops sharing a common story: They are tired, burned out from the frenzy of operating during the COVID-19 pandemic, and they want to sell. Is McCarthy interested, they ask?

As president and CEO of Family Flowers, McCarthy is well known throughout the industry for buying floral businesses. Family Flowers is a fourth-generation industry staple, currently operating in 20 locations across nine states. Over the years, Family Flowers has bought and sold more than 85 brands — and they are interested in expanding.

"There has been a big increase in the number of people calling looking to sell," McCarthy says. "Most of them are shops that are grossing \$1.5 million in sales or less annually. Some are much smaller, and some are bigger."

On average McCarthy fields around three of these calls a week. Some weeks he has as many as eight, he says. This wasn't the case a year ago. Inquiries picked up during the fall of 2022.

"COVID was tough," McCarthy says. "We have a potential recession, a consumer downturn, and hiring and finding labor continues to be tough. People are looking for that exit strategy."

Too often, owners haven't planned for their eventual retirement and exit from the industry, and without proper succession planning, many could find themselves stuck. That trap can lead to a range of issues from accepting an offer too low, to family infighting, or to one that could pose an existential threat to the industry — shuttering their doors without cashing out.

That scenario seems to be all too common. Between 2001 and 2020, the industry saw a more than 48 percent decrease in the number of retail florists, from 23,691 florists in 2001 to 12,181 in 2020, according to the U.S. Bureau of Labor Statistics — a sharp decline that underscores the importance of successful exit planning.

Roadmap to Success

Those who have successfully bowed out typically take one of three avenues: The business stays within the family; a manager or other employee buys the business; or another florist or an entrepreneur — without floral industry experience — purchases the business. Each avenue has its challenges, and each requires taking clear steps to establish a plan for succession.



FIRST FORAY In Bloom Florist's new owner, Susan Lo, is an industry outsider with a track record of growing several businesses, including several in the restaurant industry.

SUCCESSION PLANNING 101: INSIGHTS FROM BUYERS AND SELLERS

Start early. Preparing for a sale takes time. Most buyers and sellers suggest allowing three to five years to get ready. Not only will a buyer want to see several years of financial data but also preparing in other ways, such as thinking about how the business will run without your involvement, can save heartache and headache.

Tidy up. Looks matter. In Bloom Florist in Orlando, Florida, refreshed its showroom before it entertained offers, which helped the business look up to date. Signs, floors and paint are other areas that might need some attention. Shirley Lyons, AAF, PFCI, who sold her Eugene, Oregon business, says anyone looking to sell should have fresh eyes look around. "Have friends drive by and give their honest feedback," she says.

Keep strong, transparent books. Organized and complete financial records are essential when it is time to sell. Sellers credited their dedication to maintaining clear financial records to the strong offers they received. "Our financial statements were solid, complete and transparent," says Manny Gonzales, who with his wife, Clara, sold their business to their former manager. "We used an accountant when more information was requested."

Get organized. Successful sellers credit their organization for ensuring the sale moved forward. Being able to pull information about equipment, holiday staffing and daily operations are all helpful to present to a potential buyer, Lyons says. Sally Kobylinski, who with her husband recently sold In Bloom Florist, recommends having people, product, and processes in place before contemplating a sale. "You want to market a legacy and a recipe for success," she says.

While those paths may look different, there are some key components of any well thought out succession plan. They include maintaining the reputation of the business through the transition; keeping strong balance sheets and organized, complete financials; conducting a thorough valuation (see the "Ask the Accountant" column on page 36 for more on valuation); maintaining the store's appearance and physical assets; and ensuring staffing continuity after the transition.

Industry Outsider

Sally and John Kobylinski didn't think about selling In Bloom Florist in Orlando, Florida, until someone inquired about buying. While that buyer fell through, the offer helped the Kobylinskis realize they were ready to part with the business.

"Once we started thinking about it, we realized we were ready," Sally says. "I've seen brands locally where it appears they didn't have a plan, and then I watched their brand slowly dying. We thought, 'If we don't actively do something, we could be the aging, tired shop.' Not making a decision is making a decision."

Two years and five offers after they were first approached, the Kobylinskis closed the sale of their business in October.

Through the process, the Kobylinskis realized they were already prepared in many ways because of how they ran their business. But they also quickly learned that the legacy of their business depended on finding the right buyer. The first potential buyer didn't realize how big the business was, another wouldn't be involved in the daily operations, and another wasn't a great fit for their employees.

"It was important to us that we sell to someone who was kind and who would take care of our employees," Sally says. "It needed to be someone who would continue the brand, the legacy of caring for the community, who was committed to carrying on the same structure."

Susan Lo, In Bloom's new owner, met that standard. It helped that she lived less than 10 minutes from the store and was eager to learn from the Kobylinskis. John is staying on for a year to help transition, and Lo is eager to learn as much

IT'S NOT PERSONAL, IT'S BUSINESS

In 2015, Manny and Clara Gonzales made a conscious decision to step back from their business, Tiger Lily, in Charleston, South Carolina. In doing so, they realized just how much their business was tied to them personally.

Heavily involved in the community, recipients of the small business of the year award from the local chamber, and frequently engaged in charity projects, the couple knew they needed to separate their reputations from that of the business.

"We consciously decided to distance ourselves and make sure it was the 'Tiger Lily show' and not the 'Manny and Clara show,'" Manny says.

Doing this required small and big steps. They removed their photos from the website. They let the manager or salesperson talk to the community instead of fielding all calls and inquiries.

Those early moves proved important as they journeyed closer to selling the business they founded in 1996 and grew for 24 years. In 2018, they sold Tiger Lily to Lisa Holmes, a former manager who a few years earlier had expressed interest.

Holmes wasn't the only person in the industry interested in the shop, but she was the first to agree to the price the Gonzaleses were seeking. It took about a year and a half from start to finish, and the Gonzaleses felt that their business story had a solid beginning, middle and an end that was years in the making, consciously thought out, and well timed.



as she can from the former owners and wants to keep much of the company culture in place.

Lo is an experienced business owner and operator who has grown several businesses—including a few in the restaurant industry—but this is her first foray into the floral industry.

"It was appealing because of its size," Lo says. "For this business to be at this capacity in flowers is just amazing... This is a multimillion-dollar machine. I like to call it the 'flower factory' because we have events, we have wholesale, and a number of moving parts and operations."

Her goal is growth. Already, Lo has looked for more space to expand from the 10,000-square-foot building In Bloom currently uses to a 50,000-square-foot facility. A real estate deal is in the works, she says.

"The quality is going to stay," Lo says. "The service is going to be like it is—if not better—and we are carrying their view and legacy. It's about instilling that old way of doing things, but perhaps bringing new technology and efficiencies to the process."

Industry Connections

Cheryl and Brad Denham sold their business, Arizona Family Florist, to a good friend and fellow florist, Brennan Rigler, at the end of 2021.

The Denhams met Rigler, who is president of Albuquerque Florist, years earlier at a Society of American Florists' event. Over time they shared business tips and developed a close friendship.

Selling came up during a casual conversation, Cheryl says.

"It's always been a conversation we've had," she explains. "It wasn't anything against anyone or anything else, there was just always a connection with Brennan."

The Denhams felt confident that the business would be in good hands under Rigler's leadership. He would be on site every day at their request because they thought it would be best for their employees' morale.

The Denhams were diligent to ensure the sale. They worked over the course of two years to work out the details, including how they would transfer assets to Rigler.

"It was just good timing and I think we were conscious and aware enough to really see it," Cheryl says.

All in the Family

Kaitlin Radebaugh, AAF, is a fourth-generation owner and president of Radebaugh Florist & Greenhouses in Towson, Maryland. After a recent reorganization of the business that included family buyouts, Radebaugh owns 51 percent of the business. Her father owns the other 49 percent.

"It was never my intention to go into the family business," Radebaugh explains. "I earned a business degree and I worked elsewhere for four years after college. Then my father asked me to come back; they needed help in marketing and outside sales."

She returned and in time was, under the business' precise bylaws, the only person eligible to inherit ownership of the company. The bylaws say to assume ownership, one must enter the business by the time they are 30 years old and be a full-time employee for 10 years. Only then are shares of the company gifted



FATHER-DAUGHTER DUO Kaitlin Radebaugh, AAF (on left), is a fourth generation owner of Radebaugh Florist & Greenhouses in Towson, Maryland. After a recent reorganization that included a buyout, she owns 51 percent of the business and her father, Steven Radebaugh (on right), owns 49 percent.

and passed down from the previous generation.

Her great-grandfather started the business, and her grandfather gained 50 percent ownership in the first succession. Then he passed his shares to Radebaugh's father. The other shares were split among her cousins, but their ownership ended in 2019 with the buyout.

She is grateful for the example and foresight her great-grandfather had in spelling out what family succession would look like. It's a roadmap that has continued to guide the company as they have grown, acquired more assets and evolved.

"As things have happened or come up, we've always looked at the bylaws again," she says. "There is always something you have to make an adjustment to."

Radebaugh often hears of situations in which a family business isn't prepared to sort out the messiness of who will inherit ownership. "It's never too early to start," she says. "Most people don't start thinking about it until it's too late, where someone needs to retire. Having set guidelines, and really getting those fundamental ground rules down truly safeguards the business... You might be a small business, but you need big business bylaws."

Sometimes, passing the business on to family doesn't work out, and the business must leave the family, as was the case with Shirley Lyons, AAF, PFCI, who in 2018 sold her Eugene, Oregon business, Dandelions Flowers & Gifts, to a couple looking to get into the industry.

Lyons, who owned the business for 45 years, started to plan for her retirement three years prior to the sale with the help of a consultant and broker. Among the first things Lyons had the consultant help with was figuring out if family succession was an option. She knew two of her three children weren't interested, but her daughter, Toviana Jackson, was working in the store. She was a designer and also handled the business's social media and advertising.

"I had the business consultant help her talk through things," Lyons explains. "Through that discovery, in being able to freely talk — without me present — she realized she didn't want to do it. She would have never said it otherwise. It was a shocker."

Jackson is now a registered nurse and Dandelions Flowers & Gifts is thriving in the hands of Zach and Krystal Vincent, a local couple who wanted a turnkey business.

STOCK SALES VERSUS ASSET SALES

The recent sale of In Bloom Florist in Orlando, Florida, was a rarity in part because it was a stock sale. The former owners, John and Sally Kobylinski, insisted on a stock sale, and they were in a position to insist because they had multiple interested parties. A stock sale is the purchase of the owner's shares of a corporation. The buyer assumes everything, including the liabilities.

Most sales of a business are asset sales, in which the buyer purchases the individual assets of the business to be held by a new or existing corporation. Asset sales can, and often do, include everything from the coolers and vans to the social media pages and the store name.

Management Takeover

Jenny Behlings, AAF, AIFD, PFCI, ran her Custer, South Dakota business, Jenny's Floral, for 35 years, and she thought about who would take it over for just as long. For a while, she thought her sons might want the business, but when they pursued careers in the fire service and their wives didn't want the business, either, she started looking more broadly.

Behlings was looking for someone who was passionate about the business, talented and driven. One of her employees, Carrie Moore, fit the bill. For years Behlings gently suggested that perhaps someday Moore could take over the business. It worked.

Four and a half years into her career at Jenny's Floral, Moore decided she wanted to buy the business.

"I didn't want to see it go to someone who didn't understand how much it meant to me," Behlings says. "It really was a passion of mine for many, many years." She made sure she did everything she could to set up Moore for success.

Behlings promoted Moore to manager and the pair spent a year working closely together on every aspect of the business, from finances to ordering and training employees. Behlings also took Moore to industry events and encouraged her to become involved in the South Dakota Florists' Association. Behlings even helped Moore secure a loan for the purchase of the business and find a new location (Behlings owned the building and rent would have been too expensive for Moore).

"It was nice I could take her under my wing," Behlings says.

Moore took over the business Jan. 1, 2022. The transition went smoothly in part because Behlings made herself available to answer questions honestly and openly, and also because she set boundaries. "You don't want to micro-manage and impede yourself on their business," she says. "They need to make decisions and make mistakes."

It also helped that Behlings found the right person. "I think of her as a daughter," she says. "It was nice to be able to find someone who is the right fit." 🌸

Sarah Sampson is a contributing writer for *Floral Management*.

TO SELL NOW — OR NOT TO SELL?

Sally Kobylinski says the growth they experienced during the pandemic helped fetch a strong price in selling In Bloom Florist. Similarly, Cheryl Denham says the pandemic played a role in the recent sale of her and her husband's business, Arizona Family Florist.

But with the economic forecasts signaling a downturn, some are predicting it could be a harder time to sell. Kevin McCarthy, president and CEO of Family Flowers — which buys many flower shops — believes it may be better to hold off on selling if the economy ends up in a recession.

Danny Sanchez, of South Florals, who has purchased about 20 floral shops in the last seven years, says selling during an economic contraction could come with a lot of ups and downs.

"People are asking, 'Should I sell, or not sell?' They rode this great COVID bump in sales and now they are thinking about a possible recession," Sanchez says. "When they ask, 'Should I sell now while things are good?' I say, 'Are you ready to ride a wave? Do you have enough stamina to run it through?'"

While he believes there are opportunities for buyers (and he sometimes will buy a business simply for its strong phone number), he cautions that business should not look only at what they did during the pandemic.

"A lot of people are quick to tout their success and growth in sales during COVID, but make sure you also show what you did before," he says.



MENTORING MANAGEMENT Jenny Behlings, AAF, AIFD, PFCI (in the foreground), sold her Custer, South Dakota shop Jenny's Floral, to her manager, Carrie Moore (in the background).