



BY DERRICK MYERS, CPA, CFP

Fending Off Holiday Grinches

Don't let too-early markdowns and high labor costs eat into holiday profits.

EDITORS' NOTE Paul Goodman, CPA, PFCI, and Derrick Myers, CPA, CFP, 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.





or even 50 percent off, you must make sure that your markup is sufficient. Historically, florists have targeted a 50 percent cost of goods sold on gift items, meaning they double the cost to get to the sale price. (And remember that your cost includes freight and handling for items.) Many shops now mark up “holiday gift items” at least three times, knowing that they will chop the prices in half and still make a profit.

Consider this example: Let’s say I buy a Santa Claus candle that cost the shop \$10. I mark it up three times to \$30 and sell it. That’s a 200 percent profit. If I later reduce the price to \$15 and sell another candle, I still make a profit of \$5 or 50 percent of the original cost. Although I didn’t hit my COGS target on gifts (\$10 cost/\$15 sale price = 67 percent COGS), I still made a healthy profit.

Q: When, should I mark down my products?

One of the best strategies I have seen goes like this: Start selling your Christmas items in November at full price. After Thanksgiving, offer a discount (only on those items you marked up by three times or more) of 20 percent. Two weeks before Christmas go to 30 percent, and then the week of Christmas discount to 50 percent. This approach will help entice your customers to buy those items. In addition, having the sale prices (and appropriate signage) in your store will generate excitement and give your customers the green light to buy more. An after-Christmas sale at cost can also help convert more inventory back to cash. It’s better to have the cash in your hands and available to you all year than to have it packed in boxes in storage.

If you follow this program, you’ll sell the same item at different price points throughout the holiday. You’ll be surprised at the profit these items generate. You’ll also pack up less after the holiday for storage and have more cash back in the bank.

Q: How do I figure out how to staff correctly for holiday crunch times?

In a retail flower shop, Valentine’s Day and Mother’s Day require all hands on deck the week leading up to the holiday. In these cases, your biggest goal is con-

trolling overtime. Make sure you have enough trained members on your team to spread the workload. Plan your work schedule so only indispensable people have overtime. Prepping arrangements a full week ahead can help you even out the workload, making it easier to accomplish your sales goals without blowing your overtime budget.

Christmas is usually the exception to this one-week madness. Here, we have a real opportunity to schedule our staff for peak performance. The first step in laying out a schedule is to know your sales trends. Look at your December sales, day by day for the last two or three years. Determine what percentage each day represents of the month, and then look closer to see which days of the week are your busiest days. Those are the days you need to schedule a larger work force.

When planning your schedule, look at the anticipated inventory sales (exclude fees and non-inventory sales such as outgoing wire orders) you expect for the day. Your designer wages should not exceed 15 percent of the day’s sales, sales and administrative wages should not exceed 5 percent, and driver wages should cap at 5 percent. This formula will give you a total labor cost (excluding owners) of 25 percent of your inventory sales for the day. By multiplying the anticipated day’s sales by the above percentages, you now have a daily budget for each payroll category.

Next, divide the budget amount by the corresponding hourly rate for the employees in that category (if you have multiple people in a wage class, average the wage or calculate each until you have exhausted the budget). Once you have a schedule based on the estimated sales of each day, monitor your actual sales and make adjustments to your schedule. If sales are running higher than anticipated, increase some employees’ hours. If the sales are less than anticipated, send someone home early. 🌸

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Q: How much should I mark down my holiday gift items?

➤ Holiday gifts can be a big drain on your cash flow, especially if you pack up unsold items year after year and put them in storage, tying up large amounts of cash in inventory. It’s important to convert as much of that inventory into cash at the end of each season as possible, so you have the funds to get you through the slow times of the year as well as to buy those “hot” new gift items for the upcoming year.

Consumers have been trained to purchase goods when they are on sale. Some florists worry that offering sales cheapens their brand, but that’s just not true. Try to think of a major retailer that does not offer sales. Consumers expect those same discounts from you.

The trick, however, is knowing when and how much to mark down your products. Before you offer attractive discounts, such as 20 percent, 30 percent