Be the Business Worth Buying

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A Little Bit About Us
Step 1: Start Planning Your Journey Ahead of Time

Would you head out on a road trip or hike in the woods without getting directions or looking at a map?

The truth is:
Success is always best if you have BOTH a Mental plan AND a roadmap for Retirement!
Where do I start?

* Start well before you are ready – do your homework!
* Explore your options
  * Is there a next generation “kiddo” in line?
  * Is there a key employee that has the moxie?
  * Is there a wealthy customer who keeps saying “I’ve always loved flowers and wanted to buy……😊
* Hire a business coach
* Research a Business Broker in your area
Things to Consider

* Get Professional Financial Guidance
  - Need to be able to determine realistic expectations of both Sales Price & Post Tax Income

* Plan ahead - Be strategic
  - Clean up all the weird or personal “expenses” in the books for the year or two before sale

* PRO TIP
  Things to NEVER say to a buyer
Profit = Price

Top Profit = Top Price

Low to No Profit = Low Ball Price

Buyers want a return on their investment
Common Pricing Formula

4 x Adjusted Net Profit
Plus
Balance Sheet Items Purchased

Most sales “Asset” sales
(Owner keeps the balance sheet)
Adjustments to Net Profit

Owner Compensation Package:
10% of first $500K in sales
+ 5% of sales above $500K

Rent: If building is owned, fair market rent charged

Depreciation: 1.5% - 2.5% of sales

Other Items: Large onetime sales or expenses that were expensed in full/not depreciated
Plan Ahead

How’s Your Drive By Look?

* Look closely at interior and exterior of your store
* First impressions are important!
Grow the Top Line in advance

* Even if you have smaller margin sales…. Every buyer thinks they can do better than you

* If you had a decline in sales… be able to clarify that into being a “decision or known” factor

  Example: Valentine’s Day fell on a Sunday OR we decided to eliminate a low margin sales item

* Local and online reputation is VERY IMPORTANT

  Keep an eagle eye and respond POLITELY to ALL REVIEWS
Reputation Management

* Online Reviews & Word of Mouth are important!

* You can’t "UNSTICK” BAD reviews!
  
  Respond to every one….politely and GROW, GROW, GROW your good ones.

PRO TIP:

Use all your “zillion” donations to build good reviews by asking EACH for their “thank you” review!
See and BE Seen!

* Get as much media attention as you can in the few years before a sale

= Name recognition to a new buyer helps price

BONUS: (plus $ sales in your pocket now! Even your weekly newspaper is a great target)
Show Your Strengths NOW plus Growth Opportunities!

• Put together a simple notebook with an outline of current “winners” plus untapped Growth Potential

• New owners bring energy and enthusiasm - Tap into it their emotions!

**PRO TIP: IF not retiring I would:**

* Start evening classes for women’s groups
* Host a Terrarium Bar 2 x year
* Develop an outside sales person role to increase commercial accounts
* Create a Mothers Day “Make it for Mom” children’s event
Employee & Operations Handbooks

* Have a Daily “how to” Operations notebook
  
  Example: Who checks out the daily sales? Who handles Payroll? Timecards? Who handles scheduling duties?

* Have policies and procedures in place for:
  
  Time off/PTO/Vacation, etc.

* Employee Handbooks are a great sales tool = “Turnkey”

  **PRO TIP:** SAF has a FREE one for members!!!

* Have a List of employees/specific duties helps a buyer “see” the operation as already smooth
Equipment Notebooks

* Delegate Equipment Tracking (repairs, maintenance, warranties) to staff
  - Saves time & money
    Example: 1 different color for each
    Vehicles - Blue
    Coolers - Orange
    HVAC – Green

* Use an overview sheet as first page and easily track repairs and maintenance
Holiday Records

* Good Recordkeeping makes a good sale!!!

* Keep accurate records and holiday notes

**PRO TIP:**
Always think…“What happens if I get hit by a train” who would take over???… WRITE IT DOWN!!
Key Financial Touchpoints

Financial Data

• Make sure financials are Accurate & Timely

• Are they adequate for Good Management and Analysis?
Ideal Florist Income Statement

• Product sales separated from Non-Product
• Separate COGS category for each Product sales category
• COGS % based on associated Product sales
• Expenses listed alphabetically
• All Facility expenses grouped and subtotaled
• All Payroll expenses grouped and subtotaled
• All Vehicle expenses grouped and subtotaled
Payroll Targets

- **Single Location** – 30% of Sales
- **Multiple Locations /Garden Center -** 35% of Sales
- **Owner /Manager –** 10% of first $500K + 5% of sales over $500K
- **Key Permanent Staff for non-holiday sales**
COGS Targets

• Overall 30-37% (Sales Mix)

• Key Target - Flowers/Greens ≤ 25% of Arrangement and Flower Sales

• Count…Count…Count
THANK YOU!!!
Questions?
Be the Business Worth Buying

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1. Plan Ahead: 2-4 years

- Determine when you’d like to retire
- Develop a succession plan (Someone in the family? Current employee? Outside buyer?)
- Talk to your accountant so you understand all tax ramifications

2. Consult a Professional in Business Sales

(Note: These contacts have different skills and knowledge than a real estate salesperson.)

- Discover from a professional what a buyer really wants to see/know. It is worth the investment. Their assistance lets you spend your time building and running your business for a profit, while someone else worries the details of a sale.

3. Tidy Up

- Recognize the value of a good first impression
- Ask a friend to drive by/ walk in and offer candid opinion. Ask a broker to do the same.
- Identify and tackle easy cosmetic fixes

4. Focus on Sales Growth

- A top line with an upward trajectory shows all sorts of “potential” to a new buyer
- Develop a “What I would do if not selling in the next 5 years” inspiration list for prospective buyer

5. Become Turnkey Ready

- Develop and document simple “how to” operations notebooks. Lenders LOVE them! They inspire confidence in the buyer.
- Buy different color notebooks. Use one color for each “subject”:
  - Daily operations: answers basic “how does this work?” questions at a glance
  - Staffing: breaks down positions, duties, and who reports to who
  - Holiday planning: includes past sales numbers, staffing tips, advertising tips, when to order fresh product and how to estimate amount needed
  - Equipment logs: contains easy-to-read details on every vehicle and cooler