SALES ANALYSIS DONE RIGHT

BY PAUL GOODMAN, CPA, PFCI

Defining It
A sales analysis is a simple review of sales. You can quickly get this report from your point of sale (POS) system and customize your analysis for one day, week, month or year. Most systems will create a report for any date range.
What Makes a Sales Analysis Tricky?
> Your sales analysis is critical for controlling cost of goods sold (COGS) and payroll, two of three factors every florist who wants to be profitable must control. (The other is facility expenses; see box for help on those.) Let’s take a closer look at both of these areas.

Cost of Goods Sold
Controlling COGS is a function of both your buying and how well you stick to your pricing formulas in the design process. A good sales analysis won’t help with the problem of stuffing, i.e., putting too many flowers in an arrangement. However, when used properly, an analysis can prevent you from overbuying product.

Most retail florists have two types of operations: holiday and non-holiday. For non-holiday times, which make up 10 to 11 months of the year, your weekly sales will be level with an occasional blip due to extra funerals, weddings or events.

Do a sales analysis of several non-holiday weeks, and you’ll quickly see your particular pattern. Exclude weddings and events, for which you plan and buy product separately. You can determine your fresh flowers sales for your average week. Your purchasing should not exceed 25 percent of your fresh sales. If you stick to buying no more than 25 percent of your expected fresh sales, you should maintain good control of COGS. Many florists do even better than 25 percent and get down to 20 percent.

Your sales analysis will also tell you what your plant and gift sales are each week. You can then plan to purchase enough of those items to be fully stocked.

Holidays — Valentine’s Day, Administrative Professionals Week, Mother’s Day and Christmas — will show an increase in sales that will vary by the holiday. It is important to know how much to expect for the whole holiday. It is also important to know your sales by day leading up to the holiday. This daily data will allow you make sure your product will arrive on time to meet your needs.

Payroll
The other big cost item of a retail florist is payroll. If you want to make a nice profit, you have to have productive people and keep payroll in line. The target is 30 percent of sales. That includes a salary for the owner/manager and all payroll taxes and employee benefits. It’s not an easy task to pull that off. The sales analysis report can help.

You should use your sales analysis report to get data to project various levels of work in your shop. For example, take the design room. You can know precisely how many arrangements are created each day of the week. You know approximately what to expect from your designers. Set the number of design hours to match the workload expected and no more. That will ensure a reasonable payroll come payday.

Do the same for sales and delivery. Your reports will tell you how many deliveries you can expect each day of the week, and you can staff accordingly. Similarly, for the sales floor. Your sales analysis reports can show you the number of sales by hour of the day. You can see the busy periods and can staff to meet the customers’ needs while not overstaffing and bloating your payroll.

Best Practices:
Start by looking at your sales for the previous year. Compare that figure with how your sales are running currently. This will allow you to broadly estimate your future needs.

If you have been running at a 15 percent increase, you can safely assume your sales next month will most likely follow that pattern, and plan accordingly. Remember, sales can change quickly. Do a sales analysis at least every week to see how you are doing compared with your expectations, and then make any adjustments necessary in your buying. The quicker you make an adjustment, the better you will control COGS, especially if sales are decreasing. You most likely won’t be able to sell excess product that was purchased; however, you can lower your future purchases and maybe promote a sale to move your excess product.

Consider this example: Suppose your sales report for Christmas last year says you sold 2,500 poinsettias from Thanksgiving through December 24. By breaking the report down into smaller date ranges, you can see what you did per week. You note that you sold 2,000 by the week before Christmas. Since your sales have been fairly level, you decide to order the same 2,500 poinsettias. Now, you use your sales analysis report to monitor how you are doing. You notice that you are only selling about 500 per week in the first two weeks of the holiday. You could be left with a lot of poinsettias come Christmas day. You react by creating a special sale to move more poinsettias. It works, and you are able to turn most of those plants into cash. That’s how using your sales analysis reports can really impact your sales, COGS and profit.

Don’t Do This:
Today’s POS systems make the job of tracking sales like a walk in the park. That’s good; however, it can also tempt you to get more detail than you need. You can break your sales down into hundreds of categories if you want. Be careful. Too much detail can make it meaningless for management purposes. If you keep a lot of detail on sales to help you with buying, make sure you categorize them into a few larger categories to make your overall managing tasks a bit easier. For example, you might want to limit your major categories to Silk and Dried, Loose Flowers, Arrangements, Blooming Plants, Green Plants, Balloons, Food Items and Gifts.

What’s the Payoff?
Your sales analysis is one of the most important tools you have to run your flower shop with an end goal of profitability. The sales analysis report provides the data required to buy properly and staff properly. It’s easy to get from your POS system and is something that you should rely on at least weekly if not daily.

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