

# **FAS** *Floral Accounting Systems, Inc.*

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Dear FAS Customer,

Everyone at FAS hopes you had a happy and prosperous holiday season, and we look forward to continuing our relationship with you in this new year. As I wrote in my last letter, change is occurring in our industry at a dizzying pace. FTD was a publicly-traded company until it was bought out by Leonard Green & Partners last February and became a private company. In November, 2004, FTD announced that "it had filed a registration statement with the Securities and Exchange commission relating to the proposed initial public offering of shares of its common stock", indicating that the company has plans to once again become a publicly-traded company. On January 6th, Bear Stearns Merchant Banking announced that it had acquired The John Henry Company, a leading floral products supplier for almost a hundred years. In November, I wrote about recent fee increases announced by a major wire service. Shortly after my letter was mailed, another wire service raised its fees by the same amounts as the original increase of its competitor. When one wire service raises its fees, it seems the other almost immediately matches the increase in its fees.

I don't think anyone knows for certain where the industry is heading or where it will end up. What is certain however, is that retail florists must assume the responsibility of securing their own future. The days of relying on another vendor to provide marketing services or to increase your sales and profits are over. Yesterday's "partners" have become today's competitors who are fighting for their own survival, often at the expense of retail florists. As you prepare to address the challenges and opportunities that will be presented in 2005, there are several items, discussed below, that I recommend you consider.

## **Internet presence**

There is no doubt that a significant and growing volume of retail business is being conducted over the Internet. Many of the businesses I have written about in the past that are competing against you are doing so primarily through web sites. While most of your current customers are probably still comfortable calling you or stopping by your shop to place an order, millions of consumers are, in fact, buying more and more products from their homes or offices over the Internet. My 12-year-old son can find a florist or a supplier of any other product located in Ruston, Boston, or Los Angeles in a matter of seconds on the Internet. Young adults now graduating from high school and college are as comfortable looking up a business on the Internet as older shoppers may be to look up a vendor in the Yellow Pages. This trend will only become more prevalent.

Having a web site for your shop is very similar to having another shop location, without the problems that are often encountered when operating multiple physical locations. Customers can view and place orders for your products 24 hours a day, regardless of whether they are located on the other side of town or on the other side of the globe. Your local customers will use your site as a product catalog, even though they may call you on the phone to actually place an order for something they saw on your site.

There are as many variations of web sites as there are florists. Regardless of how your site might look though, there are several key considerations you should keep in mind. First, your web site should be maintained by an independent party that represents absolutely no competitive threat to your company. You wouldn't allow a local competitor to have access to your lists of customers or recipients, and you shouldn't allow companies who are competing against you on the Internet to have access to this information either. This type of data is the most important asset of many on-line vendors. During the recent Christmas season Teleflora.com gave away \$25,000 in prize money to people who simply provided a name and email address to Teleflora. The email addresses Teleflora collected obviously represent significant value to Teleflora.

I mentioned earlier that a web site was similar to an additional store location, and just like an actual shop, your web site's effectiveness will be determined almost entirely by how you promote the site. The address of your site should appear on your vans, store front, enclosure cards, statements, and ads.

Last, your web site should be integrated with your FAS system, so that orders you receive are imported into your system just as FASnet, Mercury, and Dove orders are automatically received into FAS systems. While there are probably hundreds of vendors who could provide you a site, there is a limited number of vendors with whom FAS has interfaced its systems. One vendor, [www.floristboard.net](http://www.floristboard.net) (800-769-8073), can provide you with a site for as little as \$399 for creating the site and only \$19.99 a month for hosting services. When consumers place orders on your site, the order is transmitted to your FAS system, and your system automatically creates the customer account, authorizes the credit card, and prints the invoice. If you don't already have a web site, developing a site should be one of your top priorities in 2005.

### **Marketing**

More than ever before, retail florists must invest in promoting themselves within their own local markets through some *active* medium. I consider an active promotion an activity or resource that *creates demand*, i.e. something that makes a consumer want to buy flowers and then makes the customer order his flowers from your shop. In contrast, a yellow page ad could be considered a passive ad. You have to hope that a consumer will think about purchasing flowers so that he will pick up the phone book to look up a florist in the yellow pages. Then you have to hope he will select your shop from the many shops that have ads in the phone book. In this case, you have neither created the demand, nor have you put anything in the customer's hands to tilt the odds of receiving the order significantly in your favor.

An active marketing campaign could involve an ad placed in your local newspaper or broadcast over your local radio station. An active marketing campaign could involve mailing FAS's Dial-A-Flower cards/postcards, letters, or brochures to potential customers. Your promotion could be implemented with a mailing that blankets all or selected parts of your market area, or it could be as simple and inexpensive as having your delivery driver hand out a brochure to everyone he encounters while making deliveries. IFA has helped its members by providing high-quality, custom-printed pieces at a fraction of the cost a shop would pay purchasing these materials individually. For example, IFA's Christmas brochure, which can be viewed at [www.myifa.org/about/cm.php](http://www.myifa.org/about/cm.php), was available to IFA members for just 12 cents each.

Also, make an effort to teach your customer why it's better to call a local, hometown florist than it is to purchase their floral gift from an "order gatherer". IFA provides a sample ad that can be used for this purpose at [www.myifa.org/about/sy.php](http://www.myifa.org/about/sy.php). Your customers are smart shoppers. They appreciate value. Wal-Mart has built itself into the largest retailer in the world using the slogan, "Always low

prices”. Most people shop at Wal-Mart because they believe they can find the products they want at prices lower than they would find elsewhere. If you explain to your customers that they can get more flowers for less money by ordering from you instead of ordering from an order gatherer, why would they not purchase their floral gifts from you? In 2005, make a commitment to consistently invest in promoting *your* business.

### **Consider Alternatives**

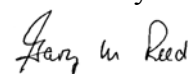
Several years ago I wrote that as florists lost options for the way they conducted business, they would experience significant fee increases, and they would find their business choices severely restricted. This is exactly what many florists have seen. During the last 10 years many shops lost their preferred wire services to bankruptcy or buy-out. Still others find that their choice of technology, which seemed like a good idea two or three years ago, severely restricts the ways they can operate, and because of several years of financial obligations remaining on that technology, they are unable to make changes that would be in the best interests of their shops today. As other companies continue to redefine and restructure themselves, florists will probably be facing similar situations in the next few years.

It's not wise to wait until your house is on fire to develop a safe escape route for your family. Similarly, waiting until key components of your business are totally disabled before considering alternatives is equally unwise. I would like to take this opportunity to ask each of FAS's customers to seriously consider supporting the Independent Florists' Association (IFA). IFA is a true member-owned, member-governed association that offers its members sound and viable alternatives to many essential services. IFA's board of directors consists of florists who face the same concerns and challenges you face every day. IFA's directors serve as true volunteers for the industry. They receive no compensation from IFA, and they pay their own expenses associated with directors' meetings. IFA will be five years old later this year, and has proven itself to be a reliable alternative to traditional programs and services.

One of IFA's programs involves the "Florist Direct" exchange of wire orders. IFA members have the option of retaining a 20% commission on their outgoing orders as they do with traditional wire orders, allowing the filling shop to charge 80% of the order amount on a credit card, or they can send the order with 100% compensation to the filling shop and keep their service charge. Many florists have gone "wire-service free", and they send all of their orders Florist Direct through IFA. I understand that not everyone can make this transition at this time. However, if you are not currently sending any IFA Florist Direct orders, I ask that you send at least one Florist Direct order a week--just 4 orders a month--in order to help florists build that escape route before "the house is on fire". Equally important, ask shops that you know to join IFA and reciprocate by sending a few Florist Direct orders to you. As more and more shops transmit orders Florist Direct, florists' profitability will only increase.

If you have any questions about the issues discussed above, please call FAS at (800) 830-6160. We look forward to hearing from you soon. Thanks.

Yours truly



Gary M. Reed  
President