

GROWERTALKS

Cover Story

12/15/2008

18 Ways to Boost Your Bottom Line

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As part of our “Tough Times” series, *GrowerTalks* asked growers and industry experts for the most important improvements you can make to your business for the coming season. They came up with 18 specific solutions in seven categories that they think offer you the best chance of surviving the economic crisis.

SHRINK

1. **Reduce your shrink.** “The most costly mistake growers make is throwing product away,” says Lisa Ambrosio of Wenke Greenhouses in Kalamazoo, Michigan. “Growers who can produce the right product at the right time with nothing left over are the ones who are the most successful.”

Easier said than done, we know, but then again, if you really calculated the waste in our system, you’d be shocked. At the GrowerTalks Sustainability Conference, Anna Ball related some research they had done inside Ball that revealed that for every 100 seeds produced, only about 25 finished plants make it into a consumer’s garden. That means there’s lots of room for improvement by everyone in the distribution chain, from breeder to retailer.

Lisa says they’re being very cautious in their production planning this spring. And they’re also working to coordinate more closely between their two companies (Wenke Greenhouses in Michigan and Sunbelt Greenhouses in Georgia) so that they are both using the same tray configurations and barcodes so that their product is more interchangeable.

2. **Grow to a plan, not on spec.** “We are in tough times and will need to watch everything that we do,” says Nick Van Wingerden of Mid-American Growers in Granville, Illinois. “Margins are so thin—if any—that we can’t make mistakes or have unsold product.” Nick believes it’s best to not produce any product on speculation—only grow what you are reasonably sure is sold. “With surpluses we create our own demise, as the customer can wait until we drop our prices below our costs,” Nick says. “This isn’t sustainable and needs to change if we want a future.”
3. **If you must dump, dump quickly.** Suggests retail consultant Stan Pohmer, “If your sales plan goes awry, consider dumping the plants as early as possible in the production cycle, rather than hoping against hope that you’ll ‘maybe’ find a home for them. If you do find a home, it will probably be at little or

no profit, and calling the dump shot early will eliminate all of the time, labor and chemicals/fertilizers/pesticides and other costs for product that will eventually end up in the compost pile anyway.”

COSTS

1. **Analyze your costs.** “Many of us like to grow this plant or that plant, but does it really make money for the company?” asks Alan Cone of Prime Cone Associates. “Don’t grow it just because you love the plant, but only if it is profitable and contributes to a positive cash flow.”

You absolutely must know how to calculate your production costs. If you aren’t sure, or need a refresher, refer to Bill Swanekamp’s article “Profitability: The New Economics of Growing” in the October GrowerTalks (also available online at www.growertalks.com; search “Bill Swanekamp”).

2. **Analyze size options.** Every season or two you should analyze the sizes of the starter plants you’re buying in. A larger plug or liner might save you money. Says Dave Van Belle of Van Belle Nursery in Abbotsford, British Columbia, “Long inventory turns are killer. Plant starters that can grow quickly and finish fast—selling three to four weeks after you plant them—are a great way to make better margins.”
3. **Analyze all your expenditures.** Sometimes it’s the little things that can add up. Take phones, for instance. Dave Van Belle says they recently upgraded their cell phones and were able to eliminate nine of them, which cut costs and forced lower-level section leaders to be more responsible for their areas rather than constantly phoning a supervisor for help. “Usually, if they think about it for a few minutes, they will know what to do,” Dave says. “If they don’t, then their manager isn’t communicating clearly enough.”

LABOR

1. **Fine-tune your labor costs.** “The main area we have been focusing on in terms of saving money and cutting costs is labor management,” says Justin Brown of Golden State Bulb Company in Watsonville, California. “Labor costs make up over 50% of our expenses, and getting a tighter control of labor needs and productivity output has been essential.”

Justin isn’t alone. Labor is the No. 1 overhead expense for most greenhouse businesses—even the very efficient ones. But that also means that a 5% savings on labor can be worth more to your bottom line than a 15% savings on energy.

Golden State recently instituted weekly headcount reports that list the labor usage per department relative to the same week in the previous year. These reports have headcount and payroll dollars on them. All the managers can see where they stand as well as how other departments are doing. “There’s a real competition between department managers now to see how much they can bring down their labor numbers,” Justin says.

They’ve also added an incentive program to a number of departments where the tasks are repetitive. Some of the programs are piece-rate in nature, and others are more creative, he says. “They all seem to help motivate the crew to be more productive though, and there is more enthusiasm than we’ve seen

in quite awhile.” Managers turn in a weekly productivity output report as well as a tabulation of incentive bonuses paid out. “It certainly has helped us reduce our labor costs significantly.”

2. **Cut the deadwood.** If you have an employee whom you’d be happy to see quit, why do you keep them around? “We may like or dislike an employee, but if that person is not forward-thinking and contributing to the bottom line, serious consideration should be given to removing that person,” says Alan Cone.

Alan recommends asking the following questions about employees: Is he/she making too many mistakes? Is she/he flexible and able to meet changing conditions? Can he/she be replaced with a person who will contribute more? Do we keep employees just because we like them? “If so, hard times require that we let them go,” Alan says.

3. **Get the good ones involved.** Now is the time to tap into all your employees’ skills, knowledge and experience. Brainstorming sessions with staff and even family of staff, with pizza and beer to encourage discussion, can be a great way to come up with new ideas while motivating staff and making them feel like part of the solution.

At Costa Farms in Homestead, Florida, the owners challenged the staff to find ways to cut 5% out of their costs. Ideas came from unexpected corners, such as Jose Costa’s assistant, who’s responsible for clearing the shipping containers and air freight they bring in from China, Central America and the Dominican Republic. She told Jose that if she got a license, they could renegotiate with the freight companies, eliminate broker commissions and save \$250,000. Another employee found a new phone plan that saved them \$20,000. “We told everybody in the company, and the ideas came!” says Jose. “People know we listen.”

“To me, in a difficult economic situation like this, it’s exciting to have a place where people feel that anybody can make a difference,” adds Maria Costa-Smith, Jose’s sister and head of Costa Color.

CASH FLOW

1. **Stay on top of accounts receivable.** “Especially in today’s tough economy, cash and cash flow are king!” says Stan Pohmer. Stan stresses that it’s more important than ever to stay current on your receivables in order to maintain cash flow and to reduce your need to ask your bank for bridge capital to see you through the lean times. Cash payments can also mean discounts on the products you buy.

Richard Lim of fern supplier Casa Flora in Dallas, Texas, doesn’t mince words on the topic of cash: “We don’t think there’s a more important message in the industry,” he emphasizes. “Make sure you have enough, make sure your customers have enough and make sure your bank lenders have enough! During turbulent times, cash flow can be more important than profits.”

George Lucas of Lucas Greenhouses in Monroeville, New Jersey agrees. “We can’t afford to ship material and wait 90 to 120 days, or even worse, not at all to get paid.”

George offers three areas in which you can improve cash flow: 1) Tighten credit on slow-paying customers. 2) Be sure your operation is running as lean as possible. Evaluate all aspects, from office,

maintenance, growing, shipping, sales and so forth. 3) Keep a closer eye on input costs like pots, soils, fuels and insurance.

“Get several bids,” he adds. “Most of these can be purchased ahead of time. Check out dating vs. cash pricing or net 10 or 30. Fuel is really cheap now, so look long-term.”

EFFICIENCY

1. **Energy efficiency is a given.** Illinois grower Jim Clesen put off building a new greenhouse in order to upgrade his aging heating plant, replacing an inefficient old boiler with a state-of-the-art system that should pay for itself in 4 ½ to 5 years. “It was a no-brainer. I wanted heat in my greenhouse,” Jim comments. “When [the new greenhouse] goes up, it will be fitted with the most energy-efficient systems we can afford.”

Energy curtains are so essential and such a given today, they’re almost not even worth mentioning. Most new construction is fitted with double or even triple curtains. There’s no better time to install them. And doing as Jim did—replacing an old heating system (which had dropped to 60% efficiency) with a new one—will pay dividends down the road.

2. **Locate crops carefully.** Consider where you put your crops and when you open up each new house for the season. Casa Flora’s Richard Lim keeps production space as full as possible at all times, to maximize heat use. He also suggests keeping a colder overflow area for speculative products that are pre-finished and held for finishing when needed. And don’t be afraid to dump excess plants rather than heat them, he adds.

“It may be cheaper to dump overflow (surplus) products than open a new heated area,” Richard says. “That’s always a tricky balance, but sometimes you have to take a tough tactical approach to advance in the larger strategy.”

3. **Consider lean flow.** For labor and space-use efficiency, now is a good time to call in a lean flow specialist to evaluate your business. The cost is generally only a few thousand dollars, but can return many times that, especially if you are thinking about adding more production barn space or equipment. Lean flow experts such as FlowVision (www.flowvision.com) can help you get more production from your existing equipment, space and staff. Lean flow principles have worked for numerous green industry businesses, including Kerry’s Bromeliads, Kraft Gardens, D.S. Cole Growers, Elzinga Greenhouses and others.
4. **Computers.** Now is the time to look at your information system—the computer software you’re using to track production and sales. “We are hard at work trying to improve these as quickly as possible, again, to allow for a more productive staff,” says Dave Van Belle, “This past spring we were able to reduce paperwork in the office enough to save one person from being hired.”

CUSTOMERS

1. **Listen to your customers.** Don’t focus on the product, focus on the customer, advises retail consultant

and Green Profit columnist Bill McCurry. “Are we putting our resources behind what the customer wants, or are we putting our resources behind what we want to grow?” he asks. For generations we’ve grown what we want to grow, not what customers have asked for. That applies to varieties, packaging, price points, delivery schedules ... every facet of our products and services. We do what we do primarily for our benefit, not theirs. That needs to change.

How? Communication. Bill suggests you sit down with your customers—all of them, if possible, or a representative sample of customers of different types and sizes (you don’t want to assume they all want the same thing). Host a focus group over dinner and pick their brains. Or visit them at their own locations. Ask them, “What do you want to accomplish? What are your frustrations? What are your needs? What would help you reach your goal?” Then work to develop products or services that meet those needs.

2. **Help them improve their margins.** According to Bill, “What the average garden center needs and wants is margin dollars. That’s what pays the bills.” You can help them achieve that in a variety of ways: increasing selling price, increasing the total sale, or reducing shrink. Sometimes it’s as simple as an upgraded package, which will allow the retailer to sell it for more.

TAKE THE LONG VIEW

1. **Don’t take shortcuts.** With times as tough as they are, it’s tempting to cut corners, such as spending on supplies and plant material. But that can be damaging to your business and reputation in the long run. Says Dave Van Belle, “Reliability and consistency may be more important than price. If you save 15 cents buying from an unknown supplier, but the plants don’t perform, it will cost you far more. We would rather buy from nurseries with a proven history than try someone new, even though they may have a ‘hot’ deal.”
2. **Practice solid business principles.** “It’s a marathon, not a sprint,” says John Van Wingerden of Green Circle Growers and Express Seed in Oberlin, Ohio. While you may need to make drastic short-term changes in order to keep cash flowing, if you are in the business for the long haul, you need to keep your focus on solid business principles.

“Each year brings new challenges,” John says. “We can take solace, however, in the fact that the same principles that have applied to success in this business in the past will continue to apply, regardless of how uncomfortable market conditions will get in 2009.”

What does John recommend? “A balanced mix of aggressive cost reduction, creative product innovation and focused capital investment has contributed to successful operations in the past and will continue to do so as market conditions tighten and consumer dollars become increasingly scarce,” he says.

“Our industry will not be alone in what it will experience in the next 12 to 18 months,” John concludes. “While many of us have been good ‘sprinters’ in the past, we must acknowledge the fact that the marathon in front of us will be difficult, but will, in the end, make us better.”