GROWERTALKS

Features

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Coal in the Stocking

Jennifer Zurko

Bill Swanekamp: Kube Pak —Allentown, New Jersey

(Editor's note: Bill said he had a hard time narrowing it down, so he offered a few business life lessons.)

*** Letting a mid-sized broker stick us for $75,000:** For a period of two years, this broker was very slow paying, and even though I had serious doubts about their continued success, I allowed them to have a credit line with us. My usual approach to any customer who cannot pay off their previous year's debts is to put them on a COD basis once they fall a full year behind. In this case, I allowed the vendor to continue doing business with us and then they went bankrupt. We lost $75,000. There was no way to fix this because the company had no real assets. We sued, but couldn't locate any tangible assets. We did recover some money later.

*** This is another case of a customer not paying his bill:** The past spring of 2016, a customer asked for credit from us, and since he was associated with another customer who paid very well, we extended him credit without passing our credit-worthy standards. After the spring season, he told us he didn't make any money and couldn't pay the balance of his bill. This cost us $34,000. The lesson we learned is that no matter who vouches for you, if your own credit isn't good, you'll be placed on COD until you can prove worthy of credit on your own.

*** Sales tax audits:** Over the past 30 years, we've had many audits by the state for sales and use tax. Years ago, I always let the accountant handle the audit in his office and was always stuck with a tax bill of $20,000 to $30,000. One year, I decided to meet with the auditor myself and see what was causing us to be charged so much. What I found out was that most of the money owed by us was for customers who had either not filled out a sales tax exemption form properly or we didn't have it on file. Once we learned this, we put in a concerted effort annually to make sure the sales tax certificate file was up to date. It also gave us the opportunity to learn the sales tax law.

This proved to be very valuable many years later when we were again audited and the examiner wanted to misapply the tax laws toward us. I argued with them for a few days and then realized I was getting nowhere. The auditor said they were going on vacation and would finish the audit when they returned. This gave me two weeks to brush up on the law and get the most current version of the sales tax law. One startling point I learned from studying the law was that the state of New Jersey had changed the law on sales tax as it applied to new greenhouse structures in 2000. This change exempted all new greenhouse construction from sales tax.

This was good news to us because the previous year we had spent around $1 million on building a new greenhouse and had paid sales tax on the entire project. When the auditor came back from vacation, I asked them if they were going to change their minds on the previous position they'd taken. They said no and then I pulled out the regulations and showed them they had failed to inform us that the new greenhouse was sales-tax free and we'd paid $70,000 in taxes on the new structure. This didn't go over well because they now realized they owed us this money.

Doug Cole: D.S. Cole Growers —Loudon, New Hampshire

I think the biggest mistake or misconception I've had was when we purchased a local garden center with the notion that operating it would be like printing money. Of course, the grass is always greener on the other side and this was no exception. As a wholesale grower, we all know that retailers who buy our product and put a 100% markup on it are practically stealing and that's not all. We were told that we needed markup even higher than that to be smart and profitable. Are you kidding?!

Well, after running our newly bought garden center for a year, we scratched our heads and realized how humbling an experience this really was. The costs don't go away after the busy season, but the customers do. Learning how to run retail is a different world than being a wholesale grower. It's easy to fill benches and it's also easy to have a high amount of waste if you're not careful.

We've gotten ourselves educated on what it takes to operate a retail center and are now in good shape going forward. In addition, we have the benefit of having a "test kitchen" for products we want to trial at our wholesale business, D.S. Cole Growers. We can also test our competitor's products to see how they're received by the consumer. Lastly, it's been great for me to deal with the consumer on weekends to learn their likes and dislikes, and to hear the questions on their mind.

Dave Dickman: Dickman Farms —Auburn, New York

Hank Haney, golf professional/instructor, once said, "Golf is a game of controlled misses." I believe one could replace "golf" with "growing" and have a statement that rings just as true. For certain, I prefer having had a "miss" rather than having made a "mistake"!

It occurs to me that "misses" come in many forms. Further, the size of a "miss" might best be measured by how long it was allowed to continue rather than how much it cost. At Dickman Farms, an overarching miss historically has been "over-diversification." I bet most growers have suffered some form of this during their history and likely more than once.

Over-diversification takes many shapes. It could be as simple as too many colors of petunias in bedding flats or too many different container sizes by variety all the way up to too many divisions within a business with plenty of room for error in between. I coined a phrase the other day: "Over-diversification is the mother of poor quality, poor sell-through and poor profitability."

By way of example, I'll share our 15-year foray into speculative finished perennial growing. I choose this one, as it ranks up there as one of our top doing-the-same-thing-over-and-over-and-expecting-a-different-result stories.

Eighteen years ago, we thought that it would be prudent to become more of a "one-stop-shop" for our IGC customer base by offering perennials along with annuals. At that time, a significant portion of our customers were in northern New York, which was off the beaten path for both other annual growers and many perennial suppliers, so we decided to offer a limited 1-gal. perennial program.

We soon realized a "limited list" didn't work particularly well, so we expanded the offering to something north of 200 line items the following season. Any bona fide perennial grower reading this article is now sniggering … but hey, I'm copping to a major miss here. We subsequently learned 200 line items didn't improve our sell-through numbers, so we increased the variety list again. In fact, sell-through as a percentage got worse.

We then thought, "We must be in the wrong size pot." Over the course of the next 12 years, we tried 1-qt., 2-qt., ¾-gal., 1-gal. and 3-gal. perennials. No matter what we did, we never achieved anything better than about 60% sell-through.

In my own defense, I did recognize perennials weren't for us much earlier than when we quit growing them. However, each year, I would run up against enough push-back from our wholesale sales team and retail garden center that I would relent and soldier on with another perennial crop.

So four years ago, I did something I rarely do: I pulled rank and declared no more perennials. I asked my garden center store manager for her top/favorite three or four perennial suppliers, contacted them, asked permission to send their contact information to my wholesale customer list and did so. Today, we turn a crop of Wave Petunias, a crop of summer annuals and a crop of mums through the same area in which we grew perennials.

Our perennial growing experience was, in fact, an over-diversification "double whammy." We grew 70,000 1-gal. perennials divided by 200 line items averaged 350 items per line item. We were too wide and too shallow with our list—over-diversified.

This created shipping shortages sometimes on the first week an item was on availability. If we did get through the first week, we often didn't have enough left to put on availability a second week. We just couldn't hold customer interest in the program based on order fill. Why else was my garden center store manager able to rattle off her other favorite perennial suppliers?!

That's one half of the double whammy; the other was it wasn't a big enough program to hold our grower staff's attention. The perennial crop was "an also-ran" crop that only got attention when all things annual were taken care of. Sometimes in the heat of the season that was too little, too late. The perennials we did ship were always first quality, but many blocks never made it to availability.

We are, once again, carefully considering introduction of some first-year flowering perennial varieties into our summer color program—and I do mean carefully. I started this article with a quotation and will finish the same way: Clint Eastwood as Dirty Harry in “Magnum Force” (1973)—“A man’s got to know his limitations …”

Gerry Raker: C. Raker & Sons —Litchfield, Michigan

Challenges can seem bigger or smaller depending on the situation you’re in and your state of mind at the time. The biggest mistake that you can make is to dwell on one for too long or think that there’s a simple, one-step solution. Corrections come from your business compass, and like a compass, heading the most direct path isn’t always the one you should take, but you need to keep heading in the right direction.

Walter Gravagna: Van de Wetering Greenhouses —Riverhead, New York

My biggest mistake was trying to be everything to everyone. As a supplier, you want to be able to address all of your customers’ needs. I realized we were a much better supplier if we identified what we do consistently well and offer those programs with confidence. If we’re going to offer a new product or program, we try to communicate to our customer that it’s a work in progress so as to not to fall short of expectations. I would rather offer a short list of products that we do well versus a broader list of inferior quality. **GT**