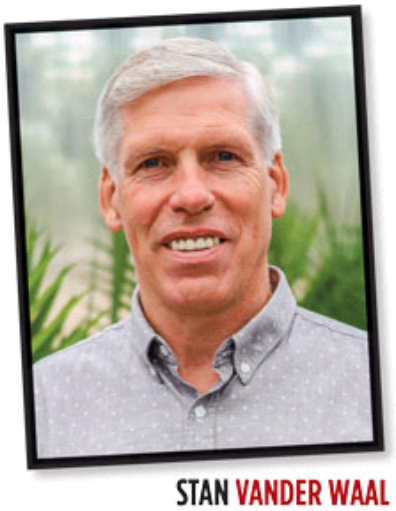
GROWERTALKS

Growers Talk Business

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How Much Are You Losing to Waste?

Stan Vander Waal



(Editor's note: I'd like to welcome Stan as a regular columnist on our contributing staff and know you'll enjoy reading his thoughts about business and the industry.—JZ)

Talking to my peers, often the discussion comes up: How much waste does your company experience?

Waste is much higher than most of us believe, making it the single greatest opportunity to increase profitability. Waste or shrink occurs in many more ways than we think—the most obvious are the product throws or items that end up on the dump pile. Waste happens at purchasing, production, packaging and logistics if you're a pay-by-scan vendor.

For me, one of the greatest pain points of waste is the lost opportunity. Space and resources are precious. Waste is the single biggest thief in the process of reaching our end goal of a profitable company.

Let's talk realistically about waste, and for this discussion, break waste into two parts:

First, production—which, to me, is from the buying of the product to delivery at the store. I would suggest producers can be as low as 2% and as high as 10% in this area.

Second is shrink, or what we refer to as sell-through at retail. (Most pay-by-scan vendors target 85% average sell-through.)

Don't be fooled: waste is costing you more than you think. Every dollar of waste adds to or takes away from your profitability. And let us not forget how much effort is put into a product that ends up on our dump pile. Depending on your company's margin, every plant you dump you need to grow 10 plants at full sale price to cover the losses of the dumped plant.

The same holds true on sell-through (the difference between what you shipped in and what scanned at the till). Ask yourself: What items might I have been able to produce or sell if that space wasn't occupied by the item that ended up as waste?

Poor management of our production process can add excess labor and material costs. Significant waste occurs in energy when our facilities don't seal properly, lighting isn't managed and thermal curtains aren't regularly maintained.

In logistics, we also can experience significant waste. This happens when the product shipped doesn't arrive at the store as the same quality plant that was shipped because of damage during shipping. In the retail environment, waste occurs due to a lack of watering, consumer handling or simply having more inventory than the rate of sale.

Reducing your company's waste by 1% in most cases could directly increase your bottom line by 1%. Reducing waste is working smarter, not harder, allowing you to focus on opportunities that drive sales and profitability. Consider waste for all the things that it is: lost man hours, wasted utilities, wasted materials and wasted fuel or truck space. Consider your time as a business owner—how much time are you wasting that can be focused on opportunity?

Thoughts to reduce waste

Begin by going for the low-hanging fruit: 20% effort for 80% return.

• Analyze your sales data. Be realistic about your production plan and produce to what you can sell at full price. Be sure to understand your customer, know your product mix and what sales trends are impacting your sales.

• In the production cycle, constantly monitor inbound quality and the quality of the items you plant up. I like to use the term "If you start well, you have a much better chance of ending well." If the cutting or plug you're planting is mediocre, your chances of experiencing higher throws is much higher. Critically assess your plants when doing tasks like spacing, and if the plant doesn't meet your quality standard, dump it before you allocate more space, labor and energy to that plant. Most importantly, in production, stick to your planned production numbers; don't make the mistake of planting the extra plugs. Growers hate to throw something away, but it's far cheaper to throw away a 30-cent liner than a finished plant at $2.50.

• Review your shipping process to ensure the quality you're shipping will land at the store the way you shipped it out. So often we pack things too tight on the cart, having a direct impact on the plants or the sell-through at the stores. In other instances, shipments not properly wrapped or secured on the carts or trucks can quickly translate into 2% or 3% waste in shipping alone.

• Pay-by-scan vendors: The retail environment is tough on plants; we're 90% to the finish line, and yet, at retail our biggest wastes occur. The number one thing I look for as I travel stores is, has the watering being done? I look for the right product in the right place—Is the assortment right for the store? Most importantly, is the shipment signed/priced immediately? Depending on your direct or indirect merchandising style, connect regularly to assure execution in merchandising is effective. I've seen again and again good merchandising can easily have influence of 5% in sellthrough and additional 5% in sales growth.

Again, reducing your waste is your number one opportunity to increasing your business profitability. Sit down with your team and discuss the opportunities about reducing waste. You'll be surprised with the ideas that come forward. **GT**

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