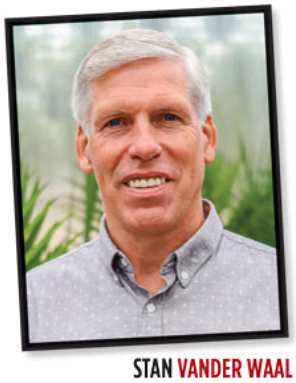
GROWERTALKS

Growers Talk Business

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Increase Your Profitability!

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With the California Spring Trials behind us, most of us are focused on the largest sales window of spring and hoping for excellent spring weather to achieve a 10-out-of-10 spring season.

In our business, the difference of a weak versus strong spring comes with a financial variance of about 10%, which ultimately translates to the profit or lack of profit. As business owners, we can't control the weather, but we can control variables that effect profit.

Regardless whether you're a retailer, transactional seller or a pay-by-scan supplier, we can all profit from product SKU rationalization or review.

- Ideally every SKU we sell transacts at full price and at the right time. In addition, each item carries input costs—should the item not transact to a final sale it becomes shrink and unrecoverable cost.
- This is why it's essential to evaluate each SKU to determine profitability. I would start with the 20% of items that transact 80% of your sales.
- For us, nearly 50% of our business is pay-by-scan sales. This is where it becomes essential to understand what enhances the performance of a particular SKU. We've also proven when we get assortment correct we can see an improvement of 30%-plus in sales pickup.
- Simply said, getting your assortment right can make a huge difference on your bottom line. Improving your assortment relating to a 5% lift in sell-through (the difference between purchased and sold items) effectively increases your profit on that SKU by 5% with almost zero extra input cost.

Assortment refinement

If you currently SKU by color and genes, you may already have all the data and simply make the adjustments based on results. In many cases the data isn't this detailed and requires a level of market observation to refine assortment. An example of the depth of your data may be:

- Level 1: 6-pack annuals; Level 2: 6-pack petunias; Level 3: 6-pack petunia, Pink
- However, for many, the SKU level is likely "6-pack annuals" and this is where getting assortment right is ultra critical.
- With good data it's critical to interpret the story behind the data, such as: Why did pink petunias outsell

red? Was it a quality issue with the red petunia? Would you make a substantial adjustment based on one year's data or should you review multiple years of data?

A simplistic approach to assortment refinement is to observe first item sold out and leftover items within the SKU. You could also go a step deeper by tracking the sales activity on larger items. Assortment refinement is continuous as the market changes and customers change. But don't wait—the time to truly assess your assortment is now when we're in season!

Measuring results

- Depending on your business sophistication, don't overthink it and get mired in the detail, but start with your top SKUs.
- To optimize the benefit of your SKU rationalization requires ongoing monitoring of the assortment within the SKU by tracking the performance.
- Find your own way to roll out a process in your business using the data you have to refine your assortments. Begin with one or two larger volume items this season, do a few in-store tests to "perfect" the assortment and watch how it performs. You'll be amazed!
- Don't forget to check you're selling what you planned. There are many reasons this may not be the case.

Writing this, I had to share this personal experience in our business. It's easy to take for granted we know our business, however, undertaking SKU assortment refinement resulted in real benefit and more to come. The best part: It's a minor investment in time and a nice lift in SKU sales and profitability.

Happy spring selling and shipping! **GT**