GROWERTALKS

Acres & Acres

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Plan for Profit

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World traveler Will Healy, Ball's senior technical and research manager, stopped by my office the other day. Dr. Healy's *modus operandi* is to plop down unceremoniously into one of my guest chairs, clear his throat and begin quizzing me on the latest industry news and trends. We have a bit of a sensei/grasshopper relationship. I'm pleased when I manage to snatch the pebble from his hand and he appreciates (or at least tolerates) my quick wit and wry retorts.

Anyway, when Will plopped into the chair this time, his first words were, "Well, I think growers are finally starting to get the idea of 'plan for profit, plant to plan.'"

"Yeah?" I asked. "What makes you say that?"

"Assistant growers are actually talking about producing what the greenhouse will sell and how they are making or losing money!" He answered. "Owners think about this all the time, but, historically, growers have only been interested in growing more."

Will offered a pair of illustrations: One grower wanted to know how to improve calibrachoa branching to ensure the fullest baskets in the market because he only had space for a certain number and needed every plant to be perfect. Another grower, a plug producer, wanted to know how to market partial plug trays economically, so his customers could get what they needed without having to waste plants.

"There are a lot of discussions going on about how to plan for a profitable season," he concluded. "The questions are about ways to be better organized to eliminate excess steps, drop slow-selling products and improve production methods to improve uniformity and sell through."

This was good stuff and I told him so. Will has been preaching "Plan for Profit" for a long time, but I felt that my readers could use a refresher. So I asked him for a plain-English set of instructions on how to do it. Here's what he says:

First, set a low to medium stretch profit number. This needs to be an actual dollar figure, not just a percentage. “That makes it real,” Will says. In other words, $50,000, not 5%.

Next, determine how you’re going to achieve that number in your plan. “Engage your staff to look critically at how are they going to hit each of those bench marks,” Will says. “Wishing is not doing. You can’t achieve with a wish or grow without stretching.”

To find potential sources of growth, figure out where your profit is currently coming from by looking for increases, decreases and flat-liners amongst your crop mix. Look at the trends of the top product classes—those that represent 60% to 75% of your total sales. Ask yourself:

• Are your flat-liners a one-year event? Or are they over multiple years? (These are your base business.)

• Are your increases in the early, mid or late stages of their potential? (“Nothing lasts forever except Twinkies,” Will quips.)

• Are your decliners a one-year event (the crop failed to perform) or do they indicate boredom on the part of your customer?

• What strategy (other than decreasing the price) can you use to increase sell-through in the product without adding cost? Bigger pot, more mixes, different variety assortment?

Based on the above, you next need to decide which crops to drop in order to create space in your assortment for new offerings and then you need to decide what those new offerings should be.

• Determine the bottom 10% of your assortment and drop them to create space for new products. Will says this can be based on volume or dollar value; in fact, he suggests using a different method to pick them each year to mix up your drops.

• At least half of your new items should be in all new product classes and the remainder should be new varieties in existing classes. This will help you identify new product classes that interest your customers, while helping to increase sales of existing classes.

Once you’ve evaluated your product mix, weeded out the deadwood and added some fresh offerings, you’re still not through.

“Travel, visit and steal ideas from other retailers inside and outside our industry,” Will urges. “Walk through stores of all types to see what people are buying—staples, household items, decorative items, personal, children-focused and so on. What products can you develop that will address the needs or wants that consumers have?”

So that’s how to plan for profit. The second part of the equation, “plant to plan,” we’ll cover next month. It sounds simple, but somehow, if Will is involved, I bet there will be more to planting to plan than meets the eye. **GT**