

GROWERTALKS

Growers Talk Production

5/1/2020

Forecasting & Crystal Balls

Heather Hydoski

(Editor's note: Heather has left her current position for an opportunity with another industry business, so she won't be part of our Growers Talk Production rotation anymore. We're grateful for her contribution to this column for the last two years!—JZ)

Like millions of other people, I'm at home working and writing this article. Nothing is as it should be and the world is turned upside-down by COVID-19. However, we're lucky to be part of an "essential" industry and allowed to function fully or in a limited capacity.

I want to be able to peer into a crystal ball to see when this will end and how the world will be changed. In production, we joke about planning and peering into our crystal balls to determine correct outputs and trends. We usually have questions such as, "Will yellow marigolds be more popular than orange?" or "Will vegetables continue a 10% grow over prior year (PY)?" While these questions aren't simple, they're easier to answer than those surrounding the changes COVID-19 has made to our lives.

Simply put, production forecasting means to estimate the future demand for goods and services. It also estimates the resources that are required to produce those goods and services. These resources include human resources, financial and material resources. In a nutshell, we figure out how much money we want to make, how much the cost of goods should be, labor and fixed expenses. From that we get our net profit that we can use to take a vacation, plow back into the company or any number of scenarios.

Yet, for all its mathematical simplicity, something goes awry after the budget ink has dried and the physical reality starts happening. This is partly because we can never know what the future holds or control the variables, such as personnel, weather and deadly viruses. For now, I'm going to focus on production's crystal ball peering and what we use to divine what we see.

In our planning, we rely heavily on past sales data paired up with our PY plan to determine how well a program or line performed. That part is easy. We run reports, pull the information from last year's schedule and review the numbers giving us our quantitative data. This data is fun because we can manipulate it to show all sorts of scenarios and post upcoming trends. If a line has grown by 20% over each year for the last three years, we can quickly decide to increase volumes by 20% to 25%. Alternatively, the opposite happens when lines show decreasing sales until an item is dropped from production.

The next level of analysis falls into the qualitative realm of memory and feedback filtered through our personal lenses. In this analysis area, discussions become more anecdotal with less facts to back up decisions and more personal interpretations. Here the crystal ball becomes cloudy, showing glimpses of what could be raising

questions, such as, “Did the item not sell because of poor customer response or was it positioned poorly at retail” or “Do we need 20% more 10-in. hanging baskets or did only one customer need more?”

The qualitative is harder to evaluate and our personal prejudices or likes often get in the way. If we personally love a plant, yet it consistently doesn't sell well, it's hard to cut it from production and move into something else.

Once we've reviewed the data, we move on to possible trends. Until not too recently, trends were collected from sales data and publications; now, trends rise and fall on social media platforms. Our industry's houseplant and tropicals trend started on social media and was quickly backed up by sales data. However, not all trends move that quickly and the trick is to determine whether a trend is a fad or something more sustainable.

Once that's established, an item or product line goes through Four Ps: Product, Price, Placement and Promotion. After that, it's all about watching to gauge when product maturity eases into decline and to exit the item from production before it reaches full decline.

Although we have all these tools to aid with forecasting, there are always yearly hits and misses. Sometimes we adopt a line too soon and it fails; other times we misjudge a trend and don't plan enough, and sometimes we're overly enthusiastic about a trend and plan too much. Each time we miss the mark we go back and evaluate where the plan was off, what we can do better, how we can prepare or make faster directional changes.

We do get better and more accurate. We provide higher fill rates and faster, more engaging service. Yet, with all the tools and methods we use, the great mystery of what the future holds is still unknowable and that's why we still want to peer into a crystal ball looking for a hint of what's to come. **GT**

Heather Hydoski is Delta Sales Manager West for Dümmen Orange.