

## Features

2/28/2013

## Making More With Less

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While this might sound like a pitch you would hear on a late-night infomercial, please trust me and keep reading. I'm not trying to teach you how to flip houses, make money in a down stockmarket or even get you tighter abs in six minutes. The concept on making more with less seems counterintuitive until we delve into the details and then you'll easily understand the power of the percent.

The best way to share this idea is through numbers, so please bear with me through my multiple examples. Greenhouse ABC is a grower/retailer that had a decent-to-slight increase in 2012. Greenhouse ABC wants to increase sales in 2013 and is looking for a way to make more money.

The examples below will demonstrate two different options and how each would affect your bottom line. 2012 Season (the prices and quantities are arbitrary to the concept):

Quantity: 4,000 10-in. Hanging Baskets

Cost: \$7.00 each

Total Cost: \$28,000

Retail Price: \$17.00

Total Sales: \$68,000

Profit per each: \$10.00

Profit Total: \$40,000

Profit Margin: 59%



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### EXAMPLE 1

### **“Let’s drop our price and we will sell more!”**

Greenhouse ABC is going to drop the price on hanging baskets by \$2.00 each (11% decrease), in hopes of increasing sales of the baskets.

*2013 Season:*

Cost: \$7.00

New Retail Price: \$15.00

New Profit per each: \$8.00

### Outcome A:

Sell the same amount of baskets as last season.

4,000 Baskets @ \$8.00 profit = \$32,000

By dropping your price \$2.00 each, you just lost \$8,000 and did the same amount of work.

### Outcome B:

At the end of the season, you make the same amount of profit on hanging baskets as last season.

\$40,000 profit/\$8.00 profit per basket = 5,000 Hanging Baskets

By dropping your price just \$2.00, you will be required to sell 25% more hanging baskets just to make the same profit as you did last season. That's 25% more planting, watering, heating and selling, just to make the same amount as before. Also, you might have made the same amount of money; however, your profit margin dropped by 6% from 59% to 53%.



### EXAMPLE 2

## “Let’s be daring and raise our prices!”

Greenhouse ABC is going to raise prices by \$1.50 (9% increase) in hopes of making more money.

*2013 Season:*

Cost: \$7.00

New Retail Price: \$18.50

New Profit per each: \$11.50

### Outcome A:

Sell the same amount of baskets as last season.

4,000 Baskets @ \$11.50 profit = \$46,000

By increasing the price \$1.50 each, you just made \$6,000 extra and did the same amount of work.

### Outcome B:

At the end of the season, you make the same amount of profit on hanging baskets as last season.

\$40,000 profit/\$11.50 profit per basket = 3,478 Hanging Baskets

Maybe you expected your customers to notice the price increases, so you cut back on production. You just made the same amount of profit by selling 13% less hanging baskets! You also made the same profit dollars with 13% less planting, watering, heating and selling. Your profit margin also increased 3% from 59% to 62%.

The goal in any business is to maximize sales and profit potential, but there's definitely a limit to what a consumer will pay for a certain product and we don't want them to feel as if they're being gouged. Only you know what your market can handle and everywhere is different. However, you'll never know how much value your customer truly sees in your product unless you're courageous and take a chance. Once spring hits and you priced yourself too high, make a change—customers always love to see prices being slashed, but you can never go up once you start. Believe in yourself, believe in your team and believe in your product. Give yourself the credit and payday you deserve—you really are that good. **GP**

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