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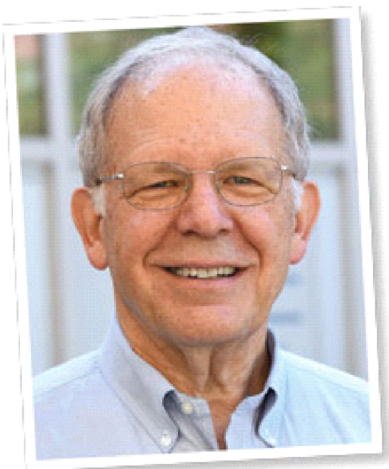
# Know When To Hold ’Em, Fold ’Em and Double Down

*Bill McCurry*



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Last year, the long-established mantra of JIT (Just In Time) inventory management proved inadequate for most companies. Industry financial guru Steve Bailey (Retail KPI Consulting) says, “In the garden center record book, there’ll be an asterisk by 2020. It was the highest profit and greatest cash flow year in history for The Garden Center Group’s Profit and Loss Study. We all lived through tight inventory last year. Will 2021 be an exact repeat or will the ‘opening’ of the economy bring severe competition for gardening dollars?”

Steve’s advice is, “While it may be tempting to hoard inventory, consider committing for 80% of your anticipated needs knowing you’ll scramble for the 20% remaining. The last order of the season is the one you usually have to babysit to sell through. Consider the costs of carrying over inventory. Perishables may be a total loss. Bag goods may need relocation over the winter, increasing labor and potential for damage. Trendy hardgoods might not be popular next year. Plants off the grower’s truck always look fresher than those from your stock, so new stock should command a higher price.

“See how the season is looking. Monitor your orders. Cancel what hasn’t come in as warranted. For mid-season or late-season reorders, have at least two team members agree they’re really necessary. Sell what you have. Cash is the best thing to have left over at season’s end. Last year, large chunks of consumer disposable income came to garden centers. Soon travel, restaurants and entertainment will return and compete for those discretionary dollars.”

Chris Trautwein (Belle Mead Co-op, Hillsborough, New Jersey) reports, “Our bird seed sales are up 90%. We’ve added more distributors to get whatever we can get. We’re planning ahead because if we don’t have it now, we likely won’t get it. Suppliers are having trouble buying their packaging, getting their shipments, keeping their factories open.”

Time is one of the scarcest commodities. Steve Biles (General Sales Manager, TTA USA) sells production equipment to automate the handling and selection of young plants. Owners frustrated with labor and HR issues are turning to automation, which “gives management their lives back.” With visa and immigration issues, COVID-19 concerns and more generous unemployment benefits, many routine unskilled jobs are harder to fill. More widely adopted automation of the plant growing function has partially offset these factors. In your growing range, the speed of automated replanting might allow more product turn during one growing season.

Automation shouldn't stop at the greenhouse door. How are you generating more usable time for your key staff? Do you still do payroll in-house? Could inputting invoices be automated? What are the things your leadership team hates to do? Can those be done by someone who could be more effective, leaving the key team members focusing on your business?

Lisa Campbell of Danville Gardens, Danville, Illinois, says, "We were short of time. Adding automated watering was a good indicator to our children that owning a business doesn't mean being a slave to it. If we wisely invest in new technologies, we can reclaim our life."

AgriNomix produces the machine tools for growers. CEO Rob Lando is also seeing overwhelmed employers automate to alleviate time and staffing aggravation—and he encounters significant complications in the supply chain.

Rob told us, "Don't be part of the problem; be part of the solution by collaborating closely with vendors. We saw what happened with the 2020 toilet paper shortages. The buying crush caused manufacturers to not just over-produce, but worse—to allocate manufacturing capabilities to toilet paper instead of other needed paper products."

"Pantry loading" destroys the supplier's ability to accurately forecast your needs. Communicate with your supplier. Share your anticipated needs and work together to ensure as normal of a flow as possible. Consider firm monthly, non-cancellable orders so your supplier can staff for your needs and not have sudden demand or surplus. This can be especially critical for green goods likely to be in short supply this year.

As an industry veteran, Rob offers common sense wisdom to remember during the peak of this season's rush. "We all have corners of the back greenhouse with piles of prior years' pots and things. Drag them out and sell them. Generate cash while alleviating your crunch getting new product."

Bill Swanekamp at Kube-Pak in Allentown, New Jersey (and GrowerTalks columnist), is respected industry-wide for attention to detail and the understanding of how logistics impact us. Early in the 2020 season, before we understood the pandemic's effect, Kube-Pak experienced significant disruption from their pot and tray supplier. To avoid another potential supply problem, Bill ordered a year's supply in one immediate shipment last July. He gained a slight price advantage, but eliminated the erratic supply problem his large growing operation had experienced.

As some growers and retailers are suffering from delayed shipments of critical items, I asked Bill how he knew to order and warehouse this crucial category. "There was a small price savings. It was probably not wanting to repeat the turmoil and chaos we had last year that drove the decision to invest the money and space."

Bill doesn't claim to have known the Texas freeze would shut down the majority of U.S. plastic production. The freeze created what The Wall Street Journal called a "global plastics shortage." It will be up to 90 days after the freeze before the Texas and Louisiana refineries are back up to full production output. These facilities had full order books when the freeze hit. Spring's economic growth and the vaccine supply have spurred more orders, making the backlog higher. There isn't an accurate forecast as to when plastics will become more readily available or at what price. This has impacted almost every horticultural company's packaging and containers.

If you were in the plastics industry, with limited raw materials, would you get the best price selling your limited supply to someone who wants to make a simple, 4-in. pot or someone who'll make a new car bumper? Which customer would pay the most?

Martin J. Wood, CEO of Delkin Devices, an international manufacturer of electronic storage and control devices, says the global marketplace means the parts needed for an automatic water sprinkler system come from the same factory making parts for new 5G phones and electric cars.

“Relationships still matter. Many of the people we work with have been suppliers or customers with us for decades,” said Martin. “Buyers who always beat up the vendor on price and have excessive demands aren’t seeing an even flow of product. The opportunistic buyer who only bought at distressed prices will be in a difficult position. Look at it from the seller’s viewpoint; he has limited product availability. Who will he allocate scarce product to—the ally who is always there for him or the buyer who only wants the lowest price every time?”

“Our big retailers/home improvement customers tell us that they expect demand to stay through the next two quarters,” a global shipping executive says. “Any return to normality will only come toward the end of the year as demand reduces. Ship capacity, containers, port infrastructure and land-based rail/truck services are currently stretched beyond their limits.”

With apologies to Kenny Rogers, you got to know when to hold ’em, know when to fold ’em—and this year, know if you should double down. Ask your team their opinions, closely monitor your “delivery by XX date or cancel” open purchase orders. Remain flexible, patient and aware of shifting circumstances. Make your best decision. Focus your team to execute those plans. **GP**

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*Bill would love to hear from you with questions, comments or ideas for future columns. Please contact him at wmccurry@mccurryassoc.com or (609) 688-1169.*