

Inventory Management[©]

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Inventory management, while not necessarily a fun topic, is a crucial element in determining a nursery's profitability. If a nursery cannot make a profit, it will soon cease to be able to produce more plants. Therefore, inventory management is very important for our industry.

There are many perils associated with inventory planning. If we make too many of an item, there are extra costs involved. If we make too few of an item, there is lost sales revenue. If the wrong kind of inventory is produced, that is very difficult because producing plants for no market is a very quick path to bankruptcy. There are several methods of determining what and how much to produce, most of which involve guessing (crystal ball, throwing dice, etc).

Our goal at Van Belle Nursery is to get the highest sales AND the highest sell through. These are somewhat contradictory goals. The conflict comes when deciding how many plants to produce. Produce one plant more than you can sell, and that equals waste — wasted resources, time, space, etc. If we could have sold at least one more of an item than we produced, that represents lost opportunity — greater revenue, lower per unit overhead, etc., as well as the possibility your customer could look elsewhere. Often these opposing goals are championed by different silos in an organization, typically production versus sales.

At Van Belle Nursery, we are trying to align the teams with a common goal, and that is profit. Profit is greatest when the maximum sales are achieved AND the highest sell through occurs. Achieving both is a win-win for everyone.

We meet as a sales group to decide the goals, based on history, discussions with customers, and any other marketplace knowledge we have. The principle is to have the decision made as close to the ground as possible. Then, the production teams review it for feasibility. Each division has a cross-section of groups that meet weekly to discuss any problems as well as opportunities. We have a schedule that we follow each year, making any adjustments as we go. With liner sales, we review goals monthly and in containers, at least three times per year — September, January, and June.

Philosophically, we are trying to improve our management through several strategies:

- Produce in as short a time as possible. Turning crops over quickly is good for business.
- Multiple production times, staggered potting cycles so the crop is always fresh.
- Try to pre-sell as much as possible. Since forecasting demand is difficult, knowing demand ahead of planting is very beneficial.
- Outsource where it makes sense. No longer are we trying to make it all ourselves. We are also able to offer so much more than we can produce if we offer other nurseries' material too. Strategic, mutually profitable partnerships are a key element in being able to offer a wide range of products.
- Always have a contingency plan, a "Plan B" for each crop. If we don't have a plan B then we don't produce that crop. The idea is to minimize risk.

