

Nursery industry strategies for surviving a poor economy

With the markets in turmoil, nursery industry consultant Don Richards wrote in to share the following suggestions for nursery operators hoping to survive the current economy. We at the Oregon Association of Nurseries believe these are sound suggestions, and so without further ado, we wanted to share them:

1. **Operate on your own money.** Try not to use lines of credit or credit cards beyond the minimum required to keep operating. Use them some to maintain activity, but not to cash flow.
2. **Expect terms of existing credit to change.** With loans without security no longer an option for financing, many banks will be looking to change terms. Rates may change to no longer be tied to the prime and have a minimum interest rate. Banks may be less likely to accept nursery stock as collateral.
3. **Expect market oversaturation in the short term.** Everyone will be worried about this. Some will start cutting inventory immediately. Others have no choice but to sit on this inventory due to production methods (especially field grown plants).
4. **Maintain what you have, but carefully consider expansion.** In the current economy, continuing to plant the same as past years may not be prudent. Speculating on future plantings comes only for those who have the luxury of capital, such as Warren Buffett and Bill Gates. The rest of us may need to consider reducing plantings, and include only items that may be produced and sold as just-in-time inventory. This means purchasing larger liners of only those items you have pre-orders for or have confidence in continuing to sell and finishing them in the shortest time possible.
5. **Be vigilant with credit.** With fewer banks offering inexpensive lines of credit, don't be a source of finance for others. Maintain deposit requirements for advanced orders. Keep credit applications up to date. Make sure you check both the current and the old references.
6. **Consider keeping prices at current levels.** Consider maintaining your prices at current levels and make everyone aware this is what you have chosen to do to help them during rough economic times. Discounts may still be offered beyond the published pricing, and may become more necessary than ever. Offer the same discount amounts for every volume buyer, but don't be hampered by the criteria for the discounts. One buyer may receive the discount because they are buying many units of a single item. Another may receive the discount because they are buying many items in small quantities. Keep all options open and maintain transparency.
7. **Maintain or increase marketing efforts.** It is tempting to cut or severely reduce marketing efforts (print ads, catalog production, availability lists, sales trips, sales personnel) when times are tough because these are tangible expenses you can

- assign a fixed cost to. Don't fall prey to this temptation. Now is not the time to reduce your marketing efforts.
8. **Keep productivity high.** Understand that you will not be the only one at the nursery worried about the future. Your key employees will sense your apprehension and may internalize your actions as a pre-requisite for lay-offs, firings, cutting back of benefits, and so forth. This would surely affect productivity. Maintain as much transparency as possible with your key employees. Keep them abreast of your survival strategies. Make them feel like they can affect the outcome. They are a key asset for your business. You will need them to perform at peak performance levels for everyone to be successful.
 9. **Look for core efficiencies.** Look for core efficiencies that will affect the bottom line. This may be in production, sales or management and might include such steps as the use of more mechanized equipment, the combining of activities, or the improved use of resources. Every operation has at least two or three major activities that need to be improved for optimum ROI (return on investment). This might be a more efficient way to collect inventory data, a better way to handle product, or a method for saving fuel or energy. Sometimes they are things you have meant to deal with for some time now. Well, now is the time, as long as such steps do not take capital investments that cannot be recouped within one year, and as long as the improvements are not made with borrowed money.
 10. **Remember, "This too will pass."** Tough economic times are not a totally new phenomenon within the industry. However, times have changed and so have the individual challenges associated with them. The market demographics are different, there are more growers now than ever, competition for market attention is greater, and more pressing issues occupy the national psyche. But, the sun is still likely to shine tomorrow, the rains will come, and consumer confidence will return. Plan now to be there and see it.

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