

pohmer on...



By Stan Pohmer

# Something's Happening Here

Consumers are looking for simpler choices at retail, and the big boxes and mass marketers are turning to SKU rationalization to streamline their inventory. What opportunities does this hold for growers?

**"There's somethin' happenin' here / what it is ain't exactly clear."  
— Buffalo Springfield,  
"For What It's Worth"**

**T**he lousy economy has retailers of all types changing the way they plan and operate their businesses, and many of these changes will have a significant impact on their suppliers, like you. But while we know something's happening, we're not yet exactly sure what these changes are and what they'll mean to you; it's best that you understand the

possibilities so you can be proactive in developing the outcomes, rather than being surprised and having to implement the retailers' demands blindly.

First, a little background on what's driving some of these changes at retail.

We've all heard that, in the past few years, consumers have become more time starved than ever before. And the current economic slowdown has exacerbated this problem, with consumers spending less and less time in stores shopping. The result: Transaction value per shop has decreased dramatically. Recent studies have shown that one of the reasons consumers are buying less per visit is that they're confused and overwhelmed.

Barry Schwartz, a business professor at Swarthmore College, discussed this situation in 2004's *The Paradox of Choice: Why More Is Less*. He explained that consumers want simple choices: If they have too many choices, they either spend too much time making their purchase decision or become paralyzed by

the sheer number of choices...and make none. With sales already challenged, we need consumers to make quick decisions so they can fill their carts with more items.

A recent *Wall Street Journal* article cited a Food Marketing Institute study that found that in 1998, nearly 47,000 distinct items filled a typical supermarket retailer's shelves, up more than 50 percent from 1996. And in 2008, there were 47,113 consumer packaged goods introductions of new products, variations or sizes launched, more than double the number introduced in 1998, according to estimates from market-data firm Mintel International.

Even the well-managed and inventory-savvy mass marketer Target suffers from this dilemma. A typical store carries 88 kinds of Pantene shampoo, conditioner and styling products. Target CEO Gregg Steinhafel is baffled and confused by this. "I have found myself standing in front of the Pantene display, trying to figure out if I need the product for dry hair with frizz or dry hair with split ends," Steinhafel says. And the toothpaste aisle is even worse!

In the battle for shelf space, suppliers rolled out new products and line extensions in the late 1990s and early 2000s. Our industry wasn't immune from this, from green goods to hard lines: Think of all the new annual and perennial varieties, chemical brands and specialized application items, new pottery styles and expanded statuary programs.

Our stores don't have rubber walls that can accommodate all this new inventory. So we reduce the inventory depth on our better-selling items to make space for the

new items, resulting in an inability to feature the best sellers and, worse, an inability to keep them in stock. We've tended to forget the old 80/20 rule: The top 20 percent of SKUs drive a disproportionate share of sales, and the bottom 15 percent contribute almost nothing.

Schwartz points out that consumers are looking to the retailers to be the gatekeepers of their choices, to cull the multitude of available items in any given category and select the best of the best for their consumers. Retailers are responsible for making the shopping experience simpler and ensuring the best quality, price and value for customers.

## Being More Rational

The mass marketers and big boxes are undertaking what they are calling SKU rationalization programs. This starts with a sales and margin analysis for every category in the store so they can see sales and margin dollar contribution by item. This leads to a "lopping-off" of the poor producers and a hard look at reducing the SKU in every category. If a store is considering new items, they have to be justified from a sales, margin and inventory perspective. A new item has to replace something to make room for it. Overall, these retailers expect a 15 percent reduction in inventory SKUs as result; the new space freed up can be used to introduce new categories, add inventory for best sellers or reduce total inventory dollar investment to run a more efficient operation.

So what does this mean for lawn and garden suppliers? First, be aware of these programs and the possible impact on your manufac-

## pohmer on...

turing or growing assortments. You should be the first gatekeeper for the end consumer, keeping your product offering lean, mean and intelligent for them. For example, if you're adding a new, improved red impatiens this year, drop the one that was in your line last year. You most likely don't need both.

Next, be careful with line extensions. Adding a new item to a program should generate incremental sales, not cannibalize the other items already in the program. Yes, new and unique sells, but this also requires control of your inventory. In today's economy, err on the side of line simplification. Make it easier

for the consumer to make quick, intelligent purchasing decisions.

This new vision of controlling choices might also create opportunities. We know the direction the mass marketers are heading with SKU rationalization. But could this also present opportunities for the independent garden centers

to carry expanded assortments that the boxes don't? (This is how things used to be.) But expanded assortments in independent garden centers can work only if there are trained employees on the sales floor to help shoppers; in a self-service environment, this will only breed consumer confusion and decision paralysis. But even independent garden centers should go through their own SKU review/reduction program to ensure that their inventories work for them financially!

We know consumers are looking for streamlined, easier choices. We know they're looking to retailers (and their suppliers) to be gatekeepers of the assortments. How aggressive the mass marketers/boxes will be with this program in their garden centers — and what opportunities this process may offer independent garden centers — remains to be seen. But as you start planning your 2010 programs, I strongly urge you to read *The Paradox of Choice* and build your assortments with his message in mind.

Buffalo Springfield had it right more than 40 years ago: "There's something happening here / What it is ain't exactly clear"...

**Stan Pohmer is president of Pohmer Consulting Group in Minnetonka, Minn. Pohmer can be reached at [spohmer@pohmer-consulting.com](mailto:spohmer@pohmer-consulting.com) or (952) 545-7943.**

## WANTED: Successful Horticulture Intern

**GPN and Nexus Corporation are looking for college students that have successfully completed a horticulture-related internship.**

**The winner of the 11th annual GPN/Nexus Intern Scholarship will receive:**

- A check for \$3,000
- His or her photo on the cover of *GPN*
- An article about him or her in *GPN*
- An expense-paid trip to the OFA Short Course July 10-13, 2010
- A 4-day Short Course registration, compliments of OFA

**To be considered, applicants must meet the following requirements:**

- Enrolled in a 4-year accredited university during 2008-2009 and 2009-2010.
- Working on an undergraduate degree in floriculture.
- Completed a greenhouse internship in 2009.

**If all requirements are met, applicants should send the following to the address below:**

- A cover letter stating what university the applicant attends and requesting consideration for the scholarship.
- A letter of recommendation on university letterhead from the applicant's academic advisor.
- A minimum 1,000-word essay describing the intern experience including who the applicant interned for, what his or her responsibilities were and what the applicant learned.



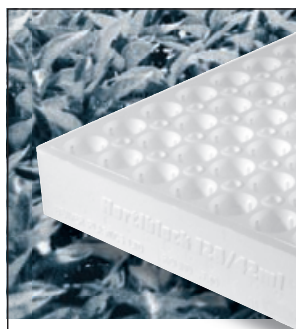
The deadline is October 30, 2009.  
**GPN/Nexus Intern Scholarship**  
**Tim Hodson**  
**GPN**  
3030 W. Salt Creek Lane, Suite 201  
Arlington Heights, IL 60005

For further information, contact  
Tim Hodson at (847) 391-1000 or  
[thodson@sgcmail.com](mailto:thodson@sgcmail.com).

*Essays will be judged by a panel of industry experts on the quality of the experience, knowledge gained and the ability to describe the experience.*



[www.ofa.org](http://www.ofa.org)  
Special thanks to OFA for donating a 4-day Short Course registration to the winner.



The principles  
of better growth  
explained.



propagation tray manufacturer

**1.888.453.5961**

[www.beaverplastics.com](http://www.beaverplastics.com)

Write in 754

[www.gpnmag.com](http://www.gpnmag.com)