

# Is the price really right?

Today, everything costs more. From gas to gold to a loaf of bread, prices are climbing at a rapid pace. Since June alone, my grocery bill has climbed at least 30 percent to buy the same nonseasonal basics I bought again last Sunday — a gallon of milk, a bunch of bananas and rib eye steaks.

In the green industry, we seem reluctant to charge more for our products. This hesitance to pass on the burden could be costing us all more in the long run. As an example, look at the market for poinsettias and how there's no profit margin anymore for this greenhouse standard.

People expect to pay more for goods and services. But, are you charging your garden center customers more so they can pass on these costs to their consumers?



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## Cost checking

Take a few minutes and go over your books for 2008 so far. I bet the price for common basics needed to run your nursery went up. I'm talking real basics here — electricity for your office, gasoline and diesel for your delivery and onsite vehicles, water for your crops and medical insurance premiums for your employees. Do you take these increases into account when setting your prices?

What standard nursery items are costing you more? While you have your books out, look at the cost columns for plastic pots, fertilizers, pest and disease controls, tools and vehicles. I can bet your new 2008 truck cost more than the 2005 model it replaced.

In general, how much more are you paying out — 10 percent? 20 percent? 30 percent?

Now, take a look at your price list for the past five years. Have you increased prices over the past few years to compensate for your extra costs? By 10 percent? 20 percent? 30 percent? Or, are you charging less?

## Raise prices, the smart way

Now that you have an idea on how much more money is going out the door, you can start to calculate how much more needs to be coming in for your business to at least break even.

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Basically, if you're spending 20 percent more to grow a tree every year, you have to build that into your price list for each year the tree grows. If not, you're losing money in the long run.

This may seem like a no brainer, but take a look at what you're charging in 2009 and how it compares to your prices in 2008, 2007, 2006 and 2005. Yearly analysis is important to maintaining a steady profit.

You have to look at the bottom line every year and decide how much to increase prices before you run around marking up every item by the same margin across the board. It takes time to make money the smart money way. Remember, we are all in the growing business.

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