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## Planting the Seeds of Success: Optimizing Inventory at The Sill

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### Introduction

On September 30, 2024, The Sill closed its last retail store, completing a transition, which began in late 2022, to become a fully online business.<sup>1</sup> The shift coincided with the expansion of the company's product range beyond houseplants to include outdoor plants, trees, and shrubs. For Eliza Blank, founder of the direct-to-consumer company, this milestone marked another step in the evolution of the business she'd launched in 2012 at the age of 26.

The decision to close physical locations reflected changing consumer behavior rather than declining interest. Gen Z's growing enthusiasm for houseplants, fueled by social media platforms like Instagram, had shifted demand toward online purchasing. This generation valued the convenience of buying plants online, particularly for their first purchase. Far from indicating a downturn in the market, the move underscored the enduring popularity of houseplants in an increasingly digital-first retail environment.<sup>2</sup>

At the same time, the company's expanding product line mirrored Blank's personal journey. She often described The Sill as a reflection of her own life, having started it as a houseplant business catering to young, urban city dwellers—much as she had been at the time. Living in her first apartment, a small sixth-floor walk-up in New York with windows facing a brick wall, Blank sought houseplants that could thrive there. That experience inspired the launch of The Sill. Twelve years later, her life had changed significantly—she had left the city and now lived in a house in the Catskills with her two children and a garden.<sup>3</sup>

The transformation of The Sill was both challenging and exciting. While Blank acknowledged the significant revenue loss from closing retail stores and noted that the company was much smaller than it had been at its peak, when it had 12 locations,<sup>4</sup> she believed the transition

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positioned The Sill to better support its expanded product line and meet the needs of a broader customer base.<sup>5</sup>

Looking ahead to 2025, Blank focused on optimizing inventory management to sustain growth in this next phase. Seasonal and unique inventory remained key challenges, but she was confident in the company's ability to adapt and scale as it continued to evolve.

## Company Background

Blank grew up in western Massachusetts, surrounded by plants. Blank's mother, originally from the Philippines, stayed connected to her roots through gardening and caring for an impressive collection of houseplants. Growing up in this environment fostered a deep appreciation for plants and nature in Blank, although she didn't fully realize its significance until she left home to attend New York University. It was when she was in college that Blank first had the idea for The Sill—a company dedicated to selling houseplants. At the time, online businesses like 1-800-Flowers were gaining traction, and she envisioned applying the same concept to houseplants. Blank recalled that she had even created a presentation for the idea. But still in college and with no work experience, she didn't pursue the idea at the time.

When Blank got her first apartment, she tried to fill it with plants to make it feel more like home and to fuel her love of flora and nature. She would get plants from a home improvement store, an experience she didn't love, and would bring them home only to have them soon die. She didn't know which plants to buy or how to keep them alive.

After graduating, Blank worked for a brand agency, and then at Living Proof, a consumer packaged goods company in the hair care space. These experiences prepared her to launch The Sill. The company's mission was to bring life to people, and people to life. Blank started the company with \$5,000 of her own savings and \$12,000 raised through a Kickstarter campaign.

She credited youth, naivety, and passion for her ability to get the business off the ground.<sup>6</sup> Initially, The Sill operated as a website serving customers in Manhattan and Brooklyn. When someone would order a plant, Blank would source the plant—either purchasing it or taking it from her inventory housed in a makeshift greenhouse she had set up in the corner of her brother's Chinatown office, another sixth-floor walk-up—put it in a handmade pot crafted by Brooklyn artists, and hand-deliver it. To reach her customers, Blank would take the subway or walk (Exhibit 1). Each delivery energized Blank and motivated her to push forward with the business: "It was so fun and exciting. I was just so enthralled by the fact I had come up with this idea, cobbled it together, and people were buying it."<sup>7</sup>

The business model focused on transforming a commodity product, the plant, into an elevated experience through design and storytelling. By pairing the plants with artisanal pots, she could convert a product that might otherwise be worth \$5 into a piece of art she could sell for \$55.<sup>8</sup>

## *Physical Expansion*

The early growth of The Sill's direct-to-consumer business was bolstered by selling plants to offices and providing ongoing plant care and maintenance. This segment of the business developed organically, driven by demand from office managers—primarily professional female millennials, who were The Sill's target customers. Many office managers discovered The Sill as individual customers and then brought the company into their workplaces.

With little competition in this niche, Blank successfully expanded the office plant care business to generate over \$1,000,000 in revenue within its first few years. Notable early clients included Vine, Twitter, and WeWork, with business coming entirely through word of mouth.

In 2014, The Sill opened its first brick-and-mortar retail store on the Lower East Side and began shipping products nationally. Blank remained deeply involved in every aspect of procurement and supply chain operations. She sourced plants from a grower on Long Island, transported them to a newly acquired distribution space (Exhibit 2), and continued to pot the plants herself. Blank adapted her delivery methods as demand grew, transitioning from individual trips on the subway to renting a van through Zipcar, a car-sharing company. She also began boxing products for shipment to customers across the country.

Pots continued to play a central role in elevating The Sill's brand, but scaling the business required significant adjustments. Blank initially shifted from using handmade pots to working with a ceramic manufacturer who used molds to produce 100s of pots at a time. Later, she transitioned to sourcing from a manufacturer in Vietnam, allowing for higher volumes at a lower cost.

The Sill took its first institutional investment in 2017, raising \$2.5 million in seed funding led by Brand Foundry Ventures. This was followed by a \$5 million Series A round in 2018, which financed the expansion of the company's e-commerce capabilities and physical retail footprint. The funding also enabled the establishment of two distribution centers, one in New Jersey and another in California.

Between 2014 and 2022, The Sill expanded its retail presence to 12 brick-and-mortar stores across seven US markets, including Boston, Chicago, Los Angeles, and San Francisco.

## **Procurement and Supply Chain**

The Sill's procurement and supply chain strategy underwent significant shifts beginning in 2020, driven by external pressures and strategic opportunities. Initially, the company operated two distribution centers—New Jersey and California—while managing a growing network of retail stores. However, the COVID-19 pandemic introduced unprecedented challenges. A surge in demand quickly depleted a year's worth of inventory within a month, while the California distribution center was forced to close as a “nonessential” business. Simultaneously, the New Jersey center was required to operate with reduced staff.

Supply chain disruptions also impacted pot manufacturing in Vietnam, where orders placed in 2020 and 2021 were delayed until 2022. Industrywide struggles exacerbated these challenges, as major growers were forced to destroy unsold inventory, and became increasingly conservative with production.

This disruption and the need for operational efficiency prompted The Sill to pivot from managing its distribution centers to forming direct partnerships with growers who had developed robust e-commerce capabilities and moving the business entirely online. This transition unfolded in phases. By 2021, The Sill had ceased using its distribution centers for e-commerce fulfillment. In 2022, The Sill initiated the process of closing its retail stores, completing the transition with the closure of its final location in September 2024. By then, the company had fully transitioned to a direct grower fulfillment model, allowing it to leverage its grower network's evolving capabilities while streamlining its operations.

Also in 2024, The Sill expanded its product range to include outdoor plants, trees, and shrubs. This strategic shift aligned with changing consumer preferences and enabled operational streamlining, positioning The Sill as a comprehensive online garden center.

A new fundraise coupled with a crowdfunding campaign launched by Blank on Wefunder raised over \$1.7 million<sup>9</sup> and helped to sustain the company through this transformation.

The Sill's procurement strategy also underwent significant transformation. Until mid-2023, it relied on a contract buying model that required six- to 12-month precommitments for inventory. Recognizing the need for greater flexibility in response to dynamic market trends, The Sill transitioned to an open-market buying process. This change laid the groundwork for a sophisticated, multitiered procurement approach tailored to the unique needs of different product categories.

Spearheading this process was Krystal Peal, The Sill's director of buying and planning. Peal had originally started working at The Sill in 2020 as an account manager, and later transitioned to the buying role when it became clear The Sill's transition would require it to think more creatively about its procurement strategy.

Peal outlined The Sill's multitiered procurement strategy, explaining how the company tailored its approach based on product type and market needs. For unique and seasonal items, such as Norfolk pines and wintergreens (Exhibit 3), The Sill used a highly structured procurement approach that required commitments at least six months in advance of the selling season. She highlighted that holiday season inventory orders, for example, were often finalized as early as June. This approach relied on the sourcing manager identifying seasonal opportunities and required precise forecasting, as there was minimal flexibility once commitments were made. "We do our best to forecast the exact amount of a seasonal product we'll need," Peal said, "but it's difficult to do. Mistakes can also be costly, because we only get one opportunity to order these items after the season passes, we typically have to sell the item at a steep discount. If we order too few units, we miss out on the revenue. If we order too many, we can lose money on each sale."

For new and trending items, Peal described a more cautious approach, with four-week commitment periods. The sourcing manager searched for new products daily, enabling rapid market testing while minimizing inventory risk. This strategy allowed The Sill to validate market demand before committing to longer-term investments. However, she noted this approach could be challenging when highly successful products required quick scaling to meet demand.

Finally, for standard houseplants widely available in the market, The Sill maintained maximum flexibility through open-market purchasing. Peal explained that this approach allowed the company to adjust orders based on immediate demand and capitalize on competitive pricing from multiple suppliers. By avoiding long-term commitments, The Sill reduced inventory risk while ensuring consistent product availability.

## The Path Forward<sup>i</sup>

Looking ahead to 2025, Blank was focused on tackling the challenges of optimizing inventory management while ensuring the company stayed true to its mission. She recognized that the most complex issue lay in managing inventory for unique and seasonal products, where rapid shifts in consumer tastes and demand made precommitment difficult.

Reflecting on this tension, Peal thought about the launch of a different cactus variety that The Sill was planning for Valentine’s Day—the *Hoya kerrii* plant, often called the “heart plant,” because of the heart shape of its leaves. From past experience, Peal knew the cacti would be popular around Valentine’s Day, but that interest would quickly fade. The biological time required for these plants to grow far exceeded the fleeting Valentine’s Day season. “These things just take time to grow,” Blank noted, “and those cycles are often way longer than a consumer’s attention span.”<sup>10</sup>

Peal said that the company’s current strategy for handling these products was simple. Based on past experience, the buying and planning team would create forecasts of the potential demand for the product, increase these by 15% to allow for any “extra” demand, and then order that amount.

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<sup>i</sup> To protect The Sill’s proprietary business information, all business practices, products, costs, prices, and other details listed in this section were fictionalized—they are based on The Sill’s operations, but do not directly match The Sill’s strategy, or any product The Sill sells or has sold.

## Assignment

You have been hired by The Sill to help evaluate the performance of this strategy and consider more efficient ways of tackling this problem.

To assist you in this task, you first collected data on historical seasonal sales at The Sill in the last five years. This data was provided to you in a spreadsheet with this case, and comprises the following columns:

- **Product:** the product name
- **Forecast demand:** the demand that was forecast for the product by The Sill's buying and planning team; this might not be a whole number, since this forecast is partly based on a rolling average of historical sales
- **True demand:** the true demand that was observed for this product *during* the selling season
- **Wholesale price:** the price The Sill paid to its suppliers to procure each unit
- **Retail price:** the price at which The Sill sold each unit on its website, minus any shipping and handling costs
- **Salvage value:** In the event product is left over at the end of the season, the salvage price reflects the average price at which this unit can be sold; this average price includes any discounting, shipping and handling costs, and the probability that some products may need to be discarded.

As your first challenge, you have been tasked with determining the order quantities for the Hoya kerrii plant. The buying and planning team estimates there will be demand for 500 of these plants during Valentine's Day season. The Sill procures this item for \$20 per unit, and sells it for \$28 per unit. If any items remain *after* Valentine's Day, The Sill will have to sell them at a salvage price of \$18 per unit.

Before class, answer the following questions:

- How many cacti *would* The Sill have ordered under the old regime?
- Does this seem like a reasonable number? Why or why not?
- Go to <https://sill.guetta.com>, where you will find a simulator that will allow you to input the number of cacti you want to order and run 5,000 simulated scenarios to tell you the expected net revenue based on this order quantity. Do your answers to the previous questions change based on your experience with the simulation tool?

## Exhibits

### Exhibit 1: Eliza Blank Delivering a Plant



Source: The Sill.

### Exhibit 2: Eliza Blank in The Sill's first New Jersey Warehouse



Source: Guralnick, Margot, "Houseplants for Beginners from The Sill in NYC," Gardenista, December 5, 2017, <https://www.gardenista.com/posts/easy-houseplants-the-sill-nyc/>.

### Exhibit 3: Krystal Peal in action at The Sill



Source: The Sill.

### Exhibit 4: Seasonal Product, the Norfolk Pine



Source: The Sill.



## Endnotes

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<sup>1</sup> Ruben, Howard, "The Sill closes its final store, shifts back to online-only business," October 7, 2024, Retail Dive, <https://www.retaildive.com/news/the-sill-closes-stores-shifts-to-online-only/729051/>.

<sup>2</sup> Garcia, Sandra E., "As Plant Sales Move Online, the Sill Closes Its Last Retail Store," *The New York Times*, October 1, 2024, <https://www.nytimes.com/2024/10/01/style/the-sill-plants-closing-stores.html>.

<sup>3</sup> Garcia, "As Plant Sales Move Online."

<sup>4</sup> Garcia, "As Plant Sales Move Online."

<sup>5</sup> Ruben, "The Sill closes its final store."

<sup>6</sup> Interview with Eliza Blank. November 25, 2024.

<sup>7</sup> Interview with Eliza Blank. November 25, 2024.

<sup>8</sup> Interview with Eliza Blank. November 25, 2024.

<sup>9</sup> Ruben, "The Sill closes its final store."

<sup>10</sup> Interview with Eliza Blank. November 25, 2024.

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