

# FORGING A STRONGER PARTNERSHIP

## *Business Issues Facing Your Golf Market Suppliers*

**Lynn Matson**

*President, Turf Equipment and Supply Company*



When Bill Hughes and I purchased Turf Equipment & Supply, we naively thought we could quickly fix the problems that were plaguing the company and then sit back and pretty much let the company run itself. We even talked about buying a sailboat to explore the waters of Chesapeake Bay.

Thirteen years later, reality has turned out to be quite a different story. The problems that we encountered in 1983 have long ago been addressed. But new ones have cropped up. And they just keep coming.

The fact is that the one constant in business is change. And each change comes with a new set of problems and challenges. The notion of

sitting back and letting a business run itself seems almost ludicrous today. And the sailboat ... well, it's in someone else's slip. Fortunately, I think we enjoy piloting the business almost as much as being out on the bay.

When Bruce Cadenelli and Chris Ayers asked me to write this article, I believe they had this whole concept of change in mind. Your profession is changing just as quickly or maybe even faster than our business world. Given these dynamics, the only way that we're going to maintain our customer/vendor relationship is through good, ongoing communications.

This article is an attempt to share with you a few of the issues that we're facing as business people in our efforts to serve you, our golf customers.

Hopefully it will help foster a better understanding and strengthened relationship between us.

To help me better represent the full breadth of the golf business community, several other local business people have contributed to this article. Their names appear below. I very much appreciate their time and support.

While every business person may look at the golf market from a slightly different perspective, we all agree on one point. Golf has been very good to us. We've benefitted from its growth. We like its honest hard working character. And we enjoy working with you, the course superintendent and our primary customer.

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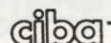
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# Forging a Stronger Partnership

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## Business Changes

Before we start talking about the changes that are affecting business, let's nail down the one thing that has not changed...the need for every business to make a profit. Profit is not something that is just desirable. It's absolutely essential. We must make a profit today if we're going to survive and be around to meet your needs tomorrow.

But making a profit is becoming increasingly difficult. Here are some of the reasons why:

**Competition** — A competitive company must serve the interests of both its employees and its customers. But staying competitive is much harder than it used to be. The big difference is the breadth, intensity and speed of the competition. It has meant more choices for customers and in many cases even lower prices. But it has also brought fundamental changes to the way business operates.

Think about our own industry for a minute. Look at all the companies that have been attracted to the golf market by its fast growth and all the new products that have been introduced in the last few years. I counted 29 new products being advertised in just one recent issue of *Golf Course Management*.

At the same time the old familiar companies that have been serving the golf market for years have been introducing new models at a record rate. They're also expanding into whole new product categories. Just look at Toro. Today the company offers you sprayers, utility vehicles, and greens aerators as well as turf nutrients, pond aerators and tub grinders.

To understand just how fast this product proliferation is happening, consider these points. In 1983 the Toro equipment distributor price sheet was 15 pages long. Today it's 59 pages. Said another way, about 75% of our sales today are from products that have been introduced in the last five years. At the same time Jacobsen, Deere and Ransomes have also been rapidly expanding their lines.

New chemicals, irrigation equipment and information systems are coming out at an even faster rate. The most visible display of all of this activity is probably your National Golf Show. You know how difficult it is to get around and take everything in at the trade show.

While all this change has given you many more choices, consider what it has meant for your local suppliers. First, it has resulted in more head-to-head competition in more product categories with the inevitable pressure to reduce selling prices.

But it has also meant that we must: stock much more inventory and secure more bank financing to carry it; put many more units in our demo fleets and add more trucks and trailers to haul it; hire more sales, service and support personnel; increase our insurance coverage; spend more for trade shows and field day activities; invest more in both internal and customer training and education; and, spend much more time forecasting sales and managing inventory.

As wholesalers, we know how to operate on short profit margins. But recognize that all of these added requirements put even more pressure on margins and require significant additional financial investments. As owners, we're required to be even better managers, particularly of our inventory and other assets, and accept even greater personal financial risks. No wonder companies can so quickly get into trouble.

**Government and Environmental Issues** — While the primary pressures on business today are competitive in nature, government regulations and environmental factors are also affecting our operations and reducing our profit margins.

John Strickland noted that the EPA now requires expensive air cleaners on his mixing and handling systems. Tim Davisson reported that every material in his warehouse must be registered twice a year with the Maryland Department of Agriculture and that he pays a fee for both what he sells and what's stored in his building.

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Even environmental issues are driving up costs. John Strickland said that wetland restrictions are reducing the availability of peat humus. Local sand deposits are being depleted resulting in higher freight costs to truck it in from more distant locations. At Turf Equipment, we're in the process of planning for the installation and financing of a closed loop water treatment system to protect our property and meet government regulations.

### Parent Company Restructuring

These same competitive, government and environmental factors, as well as other rising costs, are also affecting our parent companies. Competing on a national and international basis, these companies are restructuring to be more competitive and to provide a better rate of return to their stockholders.

We have to support the activities of our parent companies. We want these companies to be strong. After all, we're only as good as the products they manufacture. But the business climate today doesn't allow these corporations to simply pass along higher costs in the form of increased selling prices. Instead, they're re-engineering their products and their operations. The problem we face is that some of the changes being made by our parent companies directly reduce our profits.

Here's an example. Brian Finger reported that some of the chemical companies he represents issue immediate price increases that are actually larger than the profit margins he makes selling their products. That undermines any profits he can potentially make on outstanding quotes. In other cases, we're seeing parent corporations cut back on price supports, floor plan terms, co-op programs and even the direct profit margins we can make on the products we sell.

All of these factors are making it increasingly difficult for local vendors to make a profit on our business operations. At the same time we recognize that you are facing growing demands in your profession. As a result, you are requesting and deserve more service, more support and more training and education from your local vendors. And we want to be able to give it to you. But that requires investments in quality personnel, facilities and equipment. Our challenge clearly comes down to finding ways to give you better service in the face of shrinking profit dollars. Those of us who do that the best will survive and prosper.

### Future Changes

So what does the future hold? Here are a few thoughts on what might be coming.

**Restructuring/New Technology** — Call it whatever you want, we're all constantly trying to find ways to reduce the operating costs of our business operations so we can invest more in areas that directly improve our customer service. New technologies are also attractive because they help us run a simpler and more efficient business which translates into lower operating costs.

**Consolidation** — Just like in other leading edge industries, we're likely to see the golf business go to fewer and bigger players. However, there will always be room for small niche companies with truly innovative and specialty products.

**Unbundling Services** — Today when you buy a piece of equipment you really get several services as part of your purchase including product information, set up, delivery, operator training, warranty coverage, payment terms and often a product demonstration. All of these services cost money to provide.

In the future these services might be broken apart or unbundled. You'll have the option of buying and paying for just what you want. The parent companies might directly provide you with the products/services they can best and most efficiently deliver. The local distributors, dealers and reps will fulfill those areas that we can best handle.

**Expanded Role** — Another future change may involve out-sourcing as golf customers look for the lowest cost way to manage their golf properties. This could even take the form of manufacturers retaining ownership of the equipment on your course plus providing maintenance services or even operators, all for a service package fee.

The best way to keep an eye on these future developments is to watch the golf management companies like Club Corporation of America, American Golf or KSL Fairways and Billy Casper Golf Management right here in

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## Partnership

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our own region. These organizations are applying proven business management practices to what they see as a cottage industry in an effort to give the golfer a better product at a lower cost. As a result, they're changing many of the requirements that the manufacturers and their local representatives are being asked to meet.

### Your Role

From our perspective as your suppliers, here are a few ideas that we believe can make a fundamentally good relationship between us even better:

1. Understand and support the idea that your suppliers need to make a fair profit on your business.
2. Deal with us honestly and up front. If you know you really don't want our product or service, tell us so we don't waste your time or ours.

3. Share your plans and needs with us as early and openly as possible. Chip McDonald needs the time to properly prepare for his work, particularly to secure permits. Equipment distributors need your input so we can forecast inventory requirements and have it on hand to meet your desired delivery dates.

4. Support the vendors who actually support you and your associations. Remember the companies that lend you equipment for the special events at your course and those people who are always there for you with their expertise and solutions to your problems. Those kinds of value-added services require financial investments and are often not available from companies that just give you the lowest price.

5. Share information about good products and services among yourselves on a more frequent basis. Tim Davisson suggested informal superintendent meetings, greater use of your associations to get the word out and more exchanges via the computer network.

6. Give us your honest appraisal of our products and services. We're all trying our best to give you just what you need at the lowest possible price. Your feedback will help tell us if we're on target and guide us into the future.

*My thanks to these business leaders for their many contributions to this article:*

Larry Cornell, Geoff Mack  
G.L. Cornell Company  
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Tim Davisson, Tom Malehorn  
Davisson Golf, Inc.  
Pro-Lawn Products

Ray Finch, Chip McDonald  
Finch Turf Equipment, Inc.  
McDonald and Sons

Brian Finger, Rich Schneider  
Summit Hall Turf Farm  
Scotts ProTurf

Rick Hill, John Strickland  
Century's Aqua Flo  
EgypT Farms, Inc.

*\*The next issue of "Turfgrass Matters" will feature the companion piece to this article by Dean Graves, Superintendent of Bethesda Country Club, presenting a superintendent's views of supplier relations. ■*

## MAAGCS Golf Notes

**Jim McHenry,**  
*Director of Golf*

The Golf Gods have not been very good to us so far this year. We had a very cold start at the National Tournament in Orlando (low temperatures in the 20's and wind chills in the single digits) and our March golf outing had to be cancelled due to the weather (it snowed the weekend before). And if that wasn't enough, April's 4-man scramble at Holly Hill's got buried under 5" of snow. Enough is enough!!

Obviously, there are no tournament results to share with you, so I will fill you in on upcoming events.

May 15 was our 24th annual Superintendent/Professional golf tournament, held at Queenstown Harbor Golf Links. Bill Shirk, CGCS, our host

for the day, promised us better weather than we had seen for our first two outings. Results from this special day will be published in the next edition of "Turfgrass Matters".

June's meeting will be held at Prospect Bay C.C. with Gerald Hasbargen as our host. The golf event for the day will be our POINTS TOURNAMENT. Tee times are available from 10:00 AM to 1:00 PM. You must call the Pro Shop at Prospect Bay to reserve a time (410 827-8924). Please make your own foursome, or ask to be paired with a group. Cost for the golf will be \$10/person for the cart and \$10/person for the tournament.

Lastly, remember to find a partner and get ready for the 2-Man Championship scheduled for July 9 at Hidden Creek. ■

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