What The Market Will Bear

By Thomas R. Harrison

Often times when I have been in a store considering a purchase I have been amazed when I look at the price of an item and the price is exceptionally high or very low. Most of the time the items are extremely high, but I often wonder what goes on in the final session of product marketing where the decision is made as to what price to charge for a product. I used to think that people sat down in one of these pricing sessions and looked at what their actual costs were for product and then tacked on a "reasonable" sum to cover overhead, R&D, and some seed money for future products. These tacked on costs would all be based on projected future sales to provide a reasonable profit margin and fair price. Obviously I am very naive about all this, but to me this sounds like a good, fair way to price a product. Many companies do price their merchandise in a fair and competitive manner and to most of us when we make a purchase we recognize this fair pricing and continue to do business with these companies.

Unfortunately too many businesses subscribe to the pricing strategy of "what the market will bear." This means, not what is my product worth in a fair sense, but how much can I get away with charging people before they refuse to buy my product. If the market is an open market, with a lot of fair and honest competition, then people who price too high will not be able to sell their wares. If the market is limited or competition is minimal, however, then severe overpricing will occur with the consumer at a decided disadvantage.

The business of golf turf maintenance falls into the category of a limited market. Sales competition for parts, equipment and chemicals used to be somewhat limited. These areas have become more open in recent years as more companies have entered the new equipment business and "will fit" parts businesses have flourished. I have never been a real big supporter of will fit parts, as I felt that the original equipment manufacturers (OEM) needed to be supported if new and better equipment was to be introduced in the future. I also felt that will fit parts were inferior to OEM parts. Obviously I am wrong. Our equipment manufacturers have just been bleeding us slowly. We have been subjected to "what the market will bear" for too many years. The will fit parts market has flourished because the major turf equipment suppliers have priced themselves too high. General Motors went through this and is fighting hard to gain its market share of the parts business back. GM got greedy on parts prices for many years until some enterprising business people quickly figured out that they could make some of GM's parts and retail them profitably for 60% of what GM was selling the parts for. GM responded too late by claiming the will fit parts were inferior. In some cases the parts were of poor quality and the will fit manufacturer either withdrew from the market or made the part better. But in many cases the will-fit parts were equal to or better than GM's. GM has had to repromote its own OEM parts at lower prices to be competitive.

Our major turf equipment suppliers have been through the same situation. But their efforts to gain aback their market share of parts sales has been minimal. Token price breaks on limited parts items have been only mildly effective. The will fit business has thrived and gained ground to the point where one will fit parts business is producing turf equipment thrown together with other manufacturers' parts. At least General Motors doesn't have their will fit competition producing automobiles. I feel sorry for our major turf equipment suppliers. I would rather buy parts from them and have a modest profit returned for new product development. But when you can buy will fit parts at 30% less and receive good quality merchandise, then the OEM's will not gain much of the old business back. This is not a good business cycle as the will fit people will wait for the OEM's to produce something new and then copy it for resale. Money the OEM expects or needs for future R&D will be lacking. Until they wake up it will be their business loss.

The other area of turfgrass maintenance, where the "what the market will bear" pricing philosophy is being overworked, is the turf chemical business. Most of the turf chemicals we use are derived from the agriculture industry. Many products were formulated in Europe originally. Eight years ago if you took a container of flowable Daconil 2787 and stood it alongside a container of flowable Bravo 500 you would notice that the containers contained the same fluid ounces of material, the exact same active ingredients, and if you slipped the plastic sleeve off one container and put it on the other they interchanged identically. I'll bet if someone were to try the Bravo 500 on turf they would find that it would work identically to the Daconil 2787. But when you went to pay for the Daconil 2787, you paid 35% more. Manufacturers say it costs extra money for the additional turf and ornamental label required by the EPA. But if one examines an ag labeled product you will find a label that may list specific uses for up to 50 or more crops. Most of these are food crops. No one will ever convince me that the EPA is more stringent on labeling products for turf and ornamentals than they are for labeling pesticides for use on food crops for human consumption. If you take a look at some turf labels where turf and ornamentals are listed with all the other uses for the product, the turf labeled portion is 1% of the total uses for the product. Yet the price we pay for use on turf is much higher.

This market has been mildly invaded over the last few years by companies willing to sell turf chemicals at better prices, but the main problem still lies at the manufacturing and marketing level. There are low pricing classes for chemicals, agriculture and turf. Not potatoes, tomatos, strawberries, ginseng, oats, wheat, barley, corn and turf, but just general agrilculture and turf. When Bayleton 50W for ag use and Bayleton 25W for turf use are compared on a cost per 1000 sq. ft. of active ingredient basis, the ag labeled material is 37% cheaper than the turf material. The list of pricing discrepancies goes on and on. Ridomil & Subdue, Rovral & 26019, Benlate & 1991. The newest material which I only have unofficial pricing on is the Banner/Tilt fungicide. Banner is the turf label and Tilt is the ag compound. The price difference is astounding when compared on a per ounce of active ingredients per 1000 sq. ft. basis. Business has found a way to gouge the consumer under the umbrella of federal and state laws which dictate that we may only use a pesticide as it is labeled. This makes it technically illegal to use an ag fungicide on turf. Even though the weight and active ingredients are identical, we are only allowed to use the turf labeled material and consequently pay the higher price. Turf chemicals have to be one of the most blatant cases of "what the market will bear" over pricing.

One other interesting example that readily comes to mind is the pricing on wetting agents/turf surfactants. The buyer must certainly beware with these products. If you compare products across the board, label for label, you will notice different percentages of active ingredient and water quantity and consequently varying prices. The price variations are inversely proportional to the amount of water shipped with each gallon of wetting agent. The lower the price per gallon the more water per gallon of product. A liquid wetting agent is merely a mild soap, of a certain pH non-injurious to plant materials.

On a per gallon price, lemon scented Joy is 60% cheaper than the leading wetting agent and it will make your turf and sprayer smell "lemony fresh". The problem is the pH and a few other ingredients are indeed injurious to turf. For those that have read this much of this article don't misread this and try Joy next summer. It is **not** recommended for turf use even though it is cheaper than our leading brands of wetting agents. If you consult the National Chemists Handbook and reproduce the leading wetting agent in 55 gallon batches (with no water) and factor in a reasonable profit, it will price out at about $6.00/gallon. This is 25% of the list price of the national brands labeled for turf. The interesting thing is a locally produced wetting agent (not lemon scented Joy) with no water and the proper pH works superbly on fine turf. This I can attest to personally. I state this not trying to belittle the national products or put them out of business. I would rather purchase wetting agent from the people who first marketed and developed the product, as it is they who have the original R & D costs. But I refuse to purchase from any business who has one hand in my pocket trying to steal from me. I believe a 400% mark-up is excessive.

Too much is said here about the businesses who overprice their products, whereas the companies who charge a fair price for a well made product should be applauded for being good honest business people. It is they who I would hope are the backbone of our free enterprise system. But the greedy businesses will always fourish in a limited market unless the buyer is constantly aware of just what he is purchasing and what he is paying for a product. The market will bear only what we let it bear.