

**WT&T****OUTLOOK**

By Bruce F. Shank, Executive Editor

WT&T**Getting Even With the Big Guys**

Twenty percent of the companies perform 80 percent of the business. This is a common truth for many service industries, including landscape contracting and lawn care.

If you are in the group doing 20 percent of the business, you may envy some of the advantages of being big; such as quantity discounts, price breaks on insurance, more sophisticated marketing, and first pick of graduates. The big guys have the edge on accounting, legal and computer services too.

On the other hand, the ability to change course rapidly, is not only a favorable characteristic of being smaller, but it has allowed the industry to adjust to downturns in certain markets like construction. You can look in the mirror and have a board meeting, while larger companies may take months to adjust to market conditions.

Some of the advantages of being large are available to association members. Insurance group rates, business and marketing aids, and training are currently available through associations. You have the advantages of being smaller as well as some of the advantages of the big guys.

Now we hear discussion of buyer cooperatives. The concept sounds tempting, but much more information is needed. Agricultural cooperatives have served farmers well for decades. Some have also gone bankrupt in the last three years as farm prices dipped precariously.

Rural cooperatives grow to become tools of the medium-sized farmer, not the small farmer. They become politically complicated organizations carrying large lines of credit. As a stockholder, the farmer faces some of the same boardroom slow downs of large corporations. Members of cooperatives must coordinate their preferences in product lines. Some of the freedom supposedly gained by organizing is lost in the necessity for compromises in product selection.

If landscape businesses use a cooperative to agree on pricing, large companies can have them in court for collusion. Associations also have to be careful not to encourage discussion of pricing among members. Cooperatives would be approaching price fixing by controlling the cost of supplies. Remember the legal edge of the large companies.

Distributors protect companies from price fixing. They also provide support services, especially for equipment repair. Many distributors formulate regional chemical mixes and offer them at a reduced price. If cooperatives take business away from regional suppliers, they must also provide all the support services of distributors. A simple solution to getting even becomes complex and overhead drives cooperative costs up to the same level as before.

My feeling is the market is starting to stratify. The medium-sized firm, not the small firm, is organizing against the big firms. The result will be a three-tiered market with the small company, the distributor, and the associations getting the short end of the stick. There is reason for hesitation and a need to examine closely the real advantages of "getting even with the big guys." Freedom of being smaller, safety in diversity, and the health of associations and distributors are too valuable to discard to get even.

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