LANDSCAPE MANAGEMENT

Distributors: optimistic but wary

Green Industry suppliers are becoming more aggressive in a business economy that promises good rewards, but also keener competition and tighter margins.

by Ron Hall, associate editor

The concerns—stiffer competition, shorter margins—are real. Distributors and dealers serving the Green Industry can't whistle them away. Even so, the coming months should be good ones, an informal WEEDS TREES & TURF suggests.

Our poll reveals strong distributor enthusiasm for the coming year, guarded optimism for the longer haul. It also shows distributors taking aggressive action to remain players. The stakes in the game are growing, but not fast enough to allow every would-be participant a financial score.

"We are in a growth market so business will be good," says the head of a $2.5 million dealer/distributorship. "However, margins will continue to be squeezed, particularly on our primary products: fertilizers, chemicals, and grass seed."

Almost 83 percent of those responding to the *WT&T* query (a surprising 35 percent of those contacted answered) anticipate increased sales in the coming year with 12 percent feeling business will remain about the same. Five percent see sales dropping.

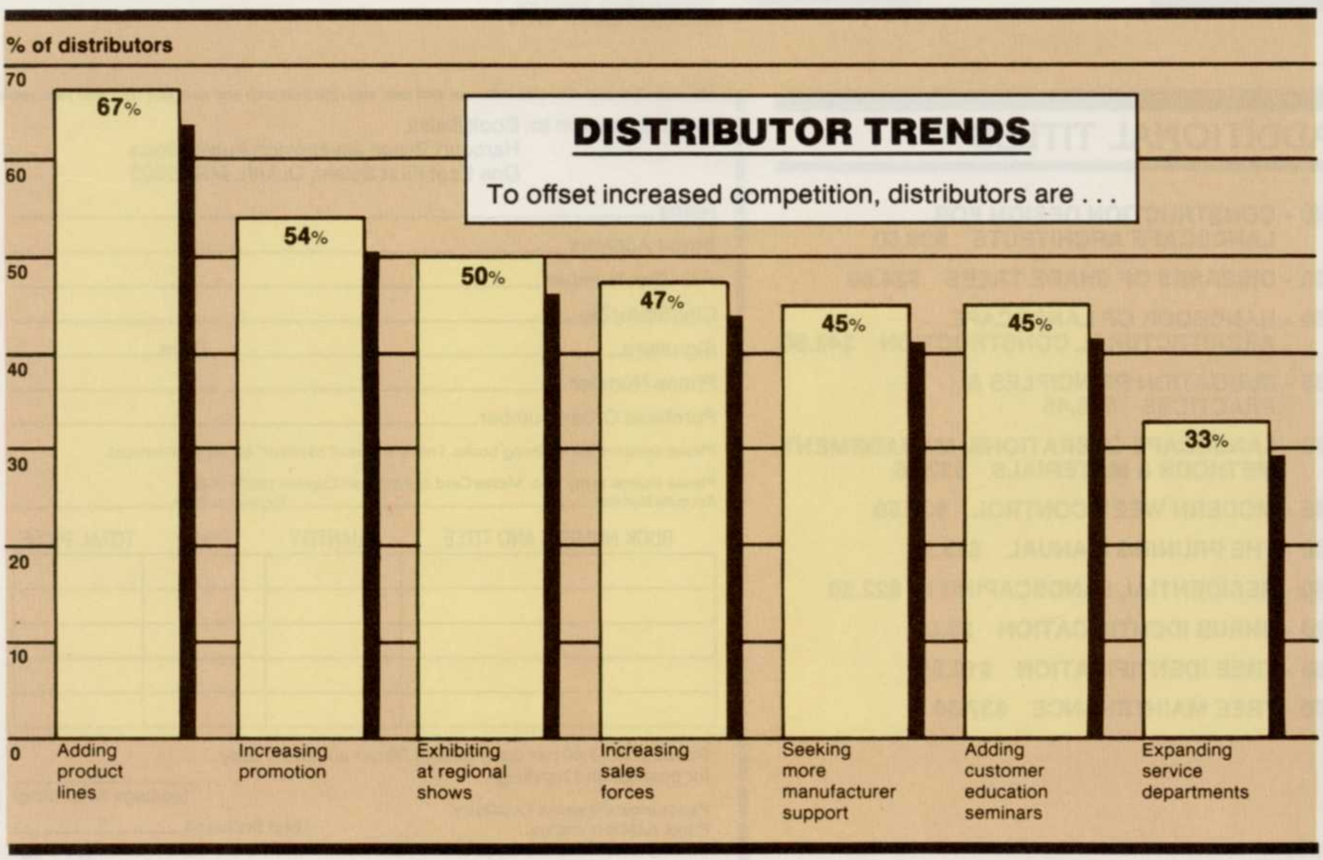
Two out of every three respondents beefed up inventories for the 1985-86 selling season.

Enthusiasm is tempered, however.

A chemical distributor writes: "More manufacturers. More models. More dealers. Not many more customers."

Concerns (listed in the frequency of their appearance in the poll) are:

1. Reduced margins.
2. Increased competition from a growing number of domestic manufacturers with similar lines and the impact of imported products.
3. Direct sales by manufacturers



FACTS ABOUT WT&T DISTRIBUTORS:

- ☐ Typically, is owner, president or general manager of a $2.3 million business.
- ☐ Half are distributors <u>and</u> dealers.
- ☐ 67% sell chemicals.
- ☐ 50% sell turfseed.
- ☐ 40% sell golf course equipment.
- ☐ 40% sell irrigation equipment.
- ☐ 33% sell consumer lawn equipment.
- ☐ 18% of sales is to homeowners.

and price pressure exerted by large national and regional operators.

4. Price cutting.

5. Government regulations and the specter of additional ones for chemical applicators.

None stands by itself. All are interconnected. Respondents to the *WT&T* survey fretted to a lesser extent about the growth of discount chains, credit problems with under-capitalized commercial accounts, and the lack of qualified personnel entering the distributor network.

Lower margins (specifically mentioned as a "trend" by 12% of our respondents) cause one special products manager to reflect: "Just how much service can I provide and still turn a profit?" An equipment distributor sees "some dropouts within the next two to five years. The volume is not there to support a replacement for the farm market or for the consumer market." While a third supplier predicts, "the industry cannot survive on the margins being made today."

Tied to reduced margins is price cutting. Four out of five distributors feel price cutting is "more common" now than a year ago although one distributor described the practice as "not more common, just more intense."

"Many distributors and dealers feel price cutting is necessary," the head of a $10 million firm notes. "This, of course, has gone on for years but I believe it is increasing due to the success (for a short time) of the retail discount stores."

The distributor-manufacturer relationship, like any marriage of interests, is not without its disagreements. Raising the ire of some distributors are direct sales by manufacturers to large national buyers. Customers benefitting from these sales "look for service locally or look for warranty locally and the local people get nothing out of the sale," says one businessman.

To offset these trends distributors are:

—Adding product lines. 67% in the *WT&T* poll indicate they will expand product offerings. Of the remaining 33%, reductions are most often being eyed for similar products from different manufacturers, or low profit items. 33% are expanding service/repair departments.

—Increasing promotion (54% of respondents).

—Seeking more manufacturer support (45%).

—Exhibiting at regional shows (50%).

—Adding education seminars for customers (45%).

—Increasing sales force (47%. Only 5% planned sales force reductions).

And, who are the best customers of the distributors and dealers? Golf course superintendents were near the top of the list for 60% of the respondents followed by landscape contractors (55%), parks and schools (52%), commercial lawn care (35%), general public (30%), and athletic field managers (28%).

Says the president of one $1.3 million distribution firm, "The business climate is excellent, particularly combined with the decline in interest rates, freeing up loan money and leasing money and at a better rate."

The message coming from the survey: as long as the national economy remains strong most distributors serving the turf and landscape industries are confident they will find ways to prosper.

The realities of increased competition and tighter margins, however, are causing distributors to reassess their offerings (with some expanding into turf-complimentary lines) and to rethink the amount of service they can offer to remain profitable—and competitive.

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The "typical" respondent to the *WT&T* survey was either the president, owner, or general manager of a business doing $2.3 worth of business with golf and landscape customers (high of $20 million, low of $30,000). Slightly under half described themselves as both distributors *and* dealers. Almost two-thirds of those we contacted handled chemicals; 50% dealt with seed, 40% golf course equipment and irrigation supplies, and 33% consumer lawn equipment. 18% of their sales is to homeowners. **WT&T**