



# Questions Abound

Where do distributors fit in the e-commerce equation?

By Peter L. McCormick

**T**he dawning of e-commerce in the green industry brings more questions than answers in these early stages, particularly concerning the impact it will have on the front-line customer service provided by local distributors — not to mention the effect on the distributors themselves. Will the convenience of 24-hour-a-day ordering override the consultative selling skills of local salespeople? Will the promise of discount pricing lure a buyer away from his long-time local supplier? Will overnight shipping be fast enough when products or supplies are needed *now*?

Ask a golf course superintendent or sports field manager and you'll get a different answer to these questions than you will from a lawn care operator or landscape contractor. Even though these businesses share a common thread in the green industry, they are

different and are often served by different suppliers.

Since superintendents and sports field managers are stationary and have predictable budgets and buying patterns, they are easily serviced by local or regional distributors and their field salespeople. Being only one step removed from the manufacturer, these field salespeople tend to be well-trained and offer agronomic consultation and extended product demonstrations as part of their service. Equipment setup, warranty service, delivery and credit are also offered by the local distributors.

Lawn care operators, on the other hand, are usually on the move, preferring to order from their local suppliers by calling them on their cell phones or stopping by on the fly. They tend to be serviced by local two-step dealers who purchase from regional distributors rather than directly from the manufac-

turer and have limited field sales staffs, if any. Landscape contractors rely less on their local dealers for consultation, equipment setup, delivery and even credit. As entrepreneurs with profit motives, they also tend to be more price sensitive than at least the private club sector of the golf industry, which tends to let quality and service override price concerns.

The great unknown is how e-commerce fits into this scheme of things. One who can temper conjecture with experience is George Kinkead, president of Minneapolis-based Turfco, a manufacturer of specialty turf equipment for the golf, sports turf and landscape segments of the green industry. Turfco took the e-commerce plunge in late 1999 with the Turfco Direct e-commerce initiative, and it has been a revelation, according to Kinkead.

"We have two distinct markets and distribution systems for our products," Kinkead says. "Our topdressers, material handlers and overseeders are targeted at the golf and sports turf markets, and have always been represented and serviced well by our traditional distributors.

"On the other hand, our lawn care products — the sod cutters, edgers and aerators — had historically been handled by a two-step dealer network. With specialty products like ours, the dealers were too far removed from us to achieve the expertise needed to properly sell and service our products," Kinkead adds.

Turfco launched Turfco Direct "as a way to reach those end users of our lawn care products who were dissatisfied with their local service, as well as open up new markets where we had no representation at all," Kinkead says. "Now those landscape contractors and lawn care people are dealing directly with us and are pleased because they're getting much better service."

By eliminating one step in the supply chain, Turfco reduced its pricing on its lawn care products to the market level, Kinkead notes.

"We wanted to establish one price for our products that was fair and competitive," he adds. "The net result was that pricing dropped slightly in some areas and dramatically in others, depending upon how much some dealers were marking up our products."

Turfco will be adding more lawn care products as well as a range of service parts to Turfco Direct in the near future, but has no inten-

tion of marketing its golf and sports turf products via e-commerce. "The needs of the lawn care and fine turf markets are very different," Kinkead says.

On the turf supply side of the industry, Bob Lippman Sr. has concerns about the emergence of e-commerce. Lippman, a former superintendent and manufacturer's representative, founded Westchester Turf Supply in Lincoldale, N.Y., in 1976. He and his son, Bob Jr.,

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sell fertilizers, seed, chemicals and other supplies to 150 golf courses in the metropolitan New York area.

"I just don't see how these e-commerce companies are going to fit into the picture," Lippman says. "The competition between local distributors of turf supplies is strong, not to mention the national companies like Lesco and UHS. Particularly with pre-season programs on pesticides, we're operating on very low — often single digit — profit margins. It's to the point where we're almost cutting each other's throats, profitwise. There's little for an e-commerce middleman to share."

Lippman also questions how well the e-commerce companies will service the needs of his accounts in the traditional sense.

"We have been contacted by several dot-com companies to entice us to participate with them, and I have asked them pointblank whether anyone in their company knows anything about growing fine turf," he says. "They admitted they don't. They're just going at it as a buy-and-sell commodity type of thing when this industry demands more."

Local distributors provide other services like warehousing, staggered delivery schedules and emergency deliveries when needed, Lippman notes.

"Many superintendents don't like to inven-

*Continued on page 14e*

# Questions Abound

Continued from page 13e

tory large quantities of pesticides or fertilizers for insurance reasons," he adds. "Plus, if a guy calls and needs a case of Daconil in a hurry, we'll have it to him in an hour in most cases. He's not going to get that service over the Internet — at any price."

Some shipping companies refuse to handle restricted-

## Will the promise of discount pricing lure a buyer away from his long-time local supplier?

use or other hazardous materials, and there are licensing issues as well, Lippman says.

"New York state, for instance, requires a pesticide dealer to have a dealer's license," he explains. "We go through the same testing as the end users do, and at least one person in the firm has to be a licensed pesticide applicator."

Further confusing the issue are the recent agency pric-

ing programs implemented by some chemical manufacturers, and the contracted areas of distribution established and enforced by most manufacturers. With agency pricing, the manufacturer sets a firm retail price and holds title to the product, even while it's in the distributor's warehouse. The distributor can't adjust the price up or down, and is paid a commission or agency fee by the manufacturer for selling and handling the product.

"Agency pricing is a disincentive to shop around," Lippman says, "because you're going to get the same price from everyone."

Greg Nicoll, superintendent at Maplewood (N.J.) CC, doesn't mince words when discussing his needs and the future impact of e-commerce on the green industry.

"As a young superintendent, I attribute a great deal of my success so far to my local suppliers," he says. "If I come in at 6 a.m. and find I need of a case of fungicide, I can make a call and it will be here by 7:30. That's very important to me. I'm much more concerned with the consistent health and playability of my golf course than saving a few bucks here and there."

Kinkead likens the dawning of e-commerce to the advent of the adjustable wrench.

"E-commerce is going to be a tool in the toolbox, but not the only tool," he says. "Many people think when one thing evolves, another dies. That isn't really the case."

Certain products will be supported more by e-commerce than others, Kinkead says. "The commodity products — seed, fertilizer, tee and green supplies, hand tools — will be the first to take off, particularly in areas where service isn't up to snuff," he adds.

Manufacturers and front-line distributors must continue to justify premium prices and products with premium service and support in the Internet age, Kinkead stresses.

"Everyone who touches or handles a product has to add value to it," he says. "The guy who thinks, 'I have this territory, these are my customers and they will do business with me,' is a dying breed."

Turfco is planning to use the Internet to help its distributors add value and improve customer service. Its Turfco Direct service center offers charts of the most common service problems with any machines and how to fix them. Solutions are easily available to salespeople and end users.

"If our salespeople can answer customers' questions — or the customers can access the information themselves — the customers will feel better about our products and be more likely to purchase them again," Kinkead says. ■

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