

CBO Marketing Practicum - Team 9

Timber Creek Sod Farm – Dianne Edwards *Market Analysis – Where Are You Now?*

INDUSTRY TRENDS

The following article was taken from the WRAL.com (Raleigh, NC) website and serves as the backdrop for Team 9's Market Analysis of the sod industry in the Carolinas. Team 9's report *Where Are You Now?* represents a "picture" so to speak of the sod and turfgrass industry that our Participant, Dianne Edwards of Timbercreek Farm, will review in order to plan for a successful business in this growing industry.

Sod Business Grows Plenty Of 'Green' For North Carolina

More People Choose To Go 'Instant Yard' Route

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JOHNSTON COUNTY, N.C. -- Grass is a serious subject for a lot of homeowners, but it is also a serious business, especially in the form of sod.

JOHNSTON COUNTY, N.C. --



The business of sod farming is growing in North Carolina.

Planting a yard with sod actually takes a few days, but that is better than the weeks or months that seed would normally take.

"I didn't want to take the time seeding it and keeping it wet until it sprouted. I wanted it green," Johnston County resident Tom Armstrong said.

Farmers say the sod business is growing in the state.

"A lot of builders, landscape contractors and things are using more because of water regulations for runoff, silt being washed in the rivers and local streams," said sod farmer Steve Carroll.

Carroll's crews cut grass on his Johnston county farm, stack it on pallets and haul it off to become the next made-to-order lawn.

"People want instant everything today, including yards," he said.

With the growing popularity of sod, you can find it everywhere, even at the State Farmers Market in Raleigh, but it is not cheap. Carroll estimates a half-acre yard costs about \$10,000. Maintenance costs are on top of that.

"For the whole thing, it was pretty significant -- for the sprinkler system, the top soil brought in and some grading done and drainage put in, but the sod itself wasn't that bad," Carroll said.

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The instant yard generates some nice "green" for North Carolina's sod industry, estimated at \$12 million a year.

Reporter/Photographer: [Dan Wilkinson](#) Online Producer: [Kamal Wallace](#)
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The North Carolina Department of Agriculture and Consumer Service and the Turfgrass Council of North America's publication entitled *North Carolina Turfgrass Industry* (2000) touts that today in North Carolina, more than 2.1 million acres of maintained turfgrass filters our waters, purifies our air, cushions our world of outdoor sports, and provides underfoot and aesthetic appeal that is such a part of our highly regarded quality of life.

Turfgrass management has become an enormous business in North Carolina. Turf acreage over the last five years increased 4.3 percent annually and turf maintenance expenses grew at an annual rate of 8.8 percent. Turfgrass maintenance operations employ more than 96,000 of our citizens and continue to expand as a service industry.

Meg Scott Phipps, Commissioner of Agriculture, stated, "the priority of quality turfgrass areas in our state is evidenced by our willingness to invest \$1.2 billion in annual maintenance expenses plus the ownership of a \$4.6 billion work of turfgrass maintenance equipment.

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Stewart Truelson is the Director of Broadcast Services for the American Farm Bureau Federation. In his 2004 article, *The Grass is Always Greener on Sod Farms*, he reports that the 2002 Census of Agriculture reported that more than 2000 sod farms harvested 386,504 acres of sod. That's up 80,000 acres over the previous census. Producers report that the business is in an up trend because of new home building and the demand for sod. Many new homeowners today don't have the patience or expertise to grow a lawn from seed and sod holds the soil in place.

Problems for the sod industry are relatively few, but there are trends worth keeping an eye on. According to the Lawn Institute, garden writers, designers and plant merchandisers are encouraging the use of flowers, mulch beds or rock and water gardens as grass replacement. Lawns sometimes get a bad rap because of the necessity to keep them watered, but the "green" benefits of a lawn are often overlooked. It has been estimated that the front lawns of eight houses have the cooling effect of about 70 tons of air conditioning. The average home has an air conditioner just a three or four ton capacity.

"We have sod farmers to thank for helping to make this a greener world."

CUSTOMER PROFILE AND BEHAVIOR

Customers who are most likely to use professional lawn care service and who consider the investment of sod grass installation are:

- Single females age 35-54, college or some college education with children 3-12 years old in the home. Income \$60,00 to \$100,00 annually-managers, owners, professionals, executives
- Retired persons also very likely to use lawn care service and consider installation of sod. (Baby Boomers)
- This generation is much more knowledgeable of horticulture than their parents because of home and garden television-more opinionated about what they want to have done and have done research to know specific varieties, fertilizers and pesticides; not necessarily more knowledgeable about general gardening practices but definitely more up on new hybrids, water issues and pesticide use.

Trends in sod are newer hybrids of old favorites such as new Kentucky bluegrass varieties. Consumers are looking for spreading varieties rather than bunching grasses and are also looking for disease and pest resistant varieties, turfgrasses that hold their color and grow slower for less mowing. Growers are definitely promoting varieties that take less water and also varieties that grow over a larger region. Advertising is a proven visual tool. Television is by far the most effective means and most businesses are targeting metropolitan areas that are no more than 24 hours in driving distance.

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Producers are also finding that even less urban areas with housing tracts or condos can be tempted by instant gratification (instant green lawn).

COMPETITORS STRENGTHS AND WEAKNESSES

STRENGTHS

- Established company goals
- Established sales accounts
- Market knowledge
- Operating Capital
- Experience in technology
- Inventory of “plants”
- Inventory of operating supplies
- Needed equipment
- Labor pool
- Track record with suppliers
- Positive Cash Flow
- Committed to the business . . . not part-time
- Knowledge of accounts . . . who to extend credit and who not to
- Land resources
- Knowledge of business/operation regulations
- Connections, connections, connections

WEAKNESSES

- Disease problems
- Insects
- Weed control
- Location . . . expansion
- Turn over time to establish growing latest varieties
- Outdated equipment
- Reluctance to change

TIMBER CREEK FARM’S STRENGTHS AND WEAKNESSES

STRENGTHS

- Natural water supply, land located adjacent to the Catawba River
- All approvals and cooperative entities engaged
- Will provide jobs close to the Catawba Indian Nation Reservation

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- Native American, minority-owned, female business – can tap into SBA programs for assistance and possible government contracting

WEAKNESSES

- New to the business
- Capital
- Initial cash flow for loan qualification purposes

PRIMARY MARKETING RESEARCH RESULTS

A Corporate Positioning and Branding statement should be developed in order to gain a clear and decisive identity. Having a clear identity will enable us to define our marketing effort in a coordinated and supportive way.

Several sod farms were researched and it has been determined that the most effective marketing technique is simply word of mouth or referrals. Each of these businesses mentioned personal relations with many of their clients fostered repeat business. Marketing using relationships was most effective with business-to-business clients and not as effective with business to consumer clients. Other forms of advertising are essential in rounding out our marketing plan but none came as close to the dynamics created by word of mouth.

The area available for our product needs to be defined. It seems many of these sod farms cover a 100-mile radius.

- Marketing
- Business cards - an inexpensive way to make a big impact
- Door hangers - neighborhoods and neighbors of current customers (highly targeted)
- Post cards - for new sales or selling additional services to current customers. Focus on specific groups of prospects.
- Folders - an inexpensive way to tell our story when used as a handout at meetings and as a pick up piece at Chamber of Commerce etc.
- Web site - this would be our basic building foundation in our marketing strategy that everything else can be built upon.

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- Direct Mail
- Telemarketing
- Television
- E-Marketing
- Printed Products
- Branding
- Referrals
- Truck Signage

Maintaining consistent marketing effort

Profile and target our most profitable customers. Not all customers are equally profitable. Profile customers regularly monitor profitability. Which is our most profitable segment? Homeowners, homeowners' associations, office parks, developers? We should know this and sell accordingly.

SECONDARY MARKETING RESEARCH RESULTS

A Summary of a Turfgrass Market Study and NC Turfgrass Survey

In 1999, market research was funded by Turfgrass Producers' Foundation (ITPF) and conducted by the University of Florida to identify practical marketing strategies for increasing the demand for sod production in the Eastern U.S. Their purpose was to identify the factors that most influence the demand for sod. Four hundred and ninety telephone surveys and thirteen personal interviews were conducted with various turfgrass producers/businesses along the Eastern U.S. Data was analyzed by:

- 1) Geographic region
 - a. Northeast (NE): Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont
 - b. East Central (EC): Delaware, Indiana, Kentucky, Maryland, Michigan, New Jersey, Ohio, Pennsylvania, Virginia, and West Virginia
 - c. Southeast (SE): Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee
- 2) Type of business & sod users
 - a. General contractors and developers
 - b. Landscape architects and contractors
 - c. Retail nurseries and garden centers
 - d. Sports turf users

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Number of Respondents Interviews, by Turfgrass Buyer Category, in Three Eastern Regions of the U.S. in 1999

Type of Business	NE	EC	SE	Percent
General Contractors	8	5	41	11%
Landscape Services	39	46	65	30%
Retailers	51	45	44	28%
Sports Turf Users	45	46	68	32%
Total All Buyers	143	142	218	100%
Percent	28%	43%	28%	

- 3) Size of business as determined by annual sales
 - a. Small = less than \$500,000
 - b. Medium = \$500,000 to \$2.5 million
 - c. Large = \$2.5 million to \$10 million
 - d. Very large = greater than \$10 million

University of Florida researchers were seeking answers to the following questions:

- 1) From whom was sod purchased?
- 2) What were the dominant turfgrass varieties purchased by major buyer groups?
- 3) Did purchasing criteria vary by type of customer and location?
- 4) How important is seasonality in the demand for sod?
- 5) What are some market strategies for the future?

Answers:

- 1) Sod uses in the Eastern U.S. were determined to include:
 - a) New residential and commercial developments
 - b) Re-landscaping existing developments
 - c) Sports turf facilities (golf courses, arenas, stadiums, and athletic fields)
 - d) Commercial applications (business, schools, and roadsides)

Sod buyers in the Eastern U.S. were determined to include:

- a) General contractors
- b) Landscape services
 - a. Landscape architect & contractors
 - b. Lawn & garden centers
 - c. Hydro-seeding contractors
 - d. Sodding services
 - e. Lawn maintenance firms
- c) Retailers
 - f. Nurseries & garden centers
- d) Sports turf users
 - g. Golf courses
 - h. Membership sports & recreation clubs
 - i. Athletic fields

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Market Analysis – Where Are You Now?**

Number of Respondents Interviewed by Type of Business and Annual Sales Volume (1999)

Annual Sales Volume	General Contractor	Landscape Services	Retailers	Sports Turf	Total
Less than \$500,000	4	67	31	33	135
\$500,000-\$2.5 million	20	34	46	39	139
\$2.5 million-\$10 million	15	12	11	14	52
Greater than \$10 million	8	2	4	5	19

2) Types of turfgrass purchased by major buyers:

Top Turfgrass Types Purchased by Survey Respondents in the Three Regions of the Eastern U.S. (1999)

Grass Type	NE	EC	SE	Total
Bluegrass	46%	27%	1%	19%
Bluegrass/ Fescue	16%	62%	2%	32%
Fescue	13%	5%	15%	10%
Bermuda grass	2%	6%	31%	16%
Centipede grass	1%	(-)	16%	7%
St. Augustine grass	2%	(-)	17%	7%

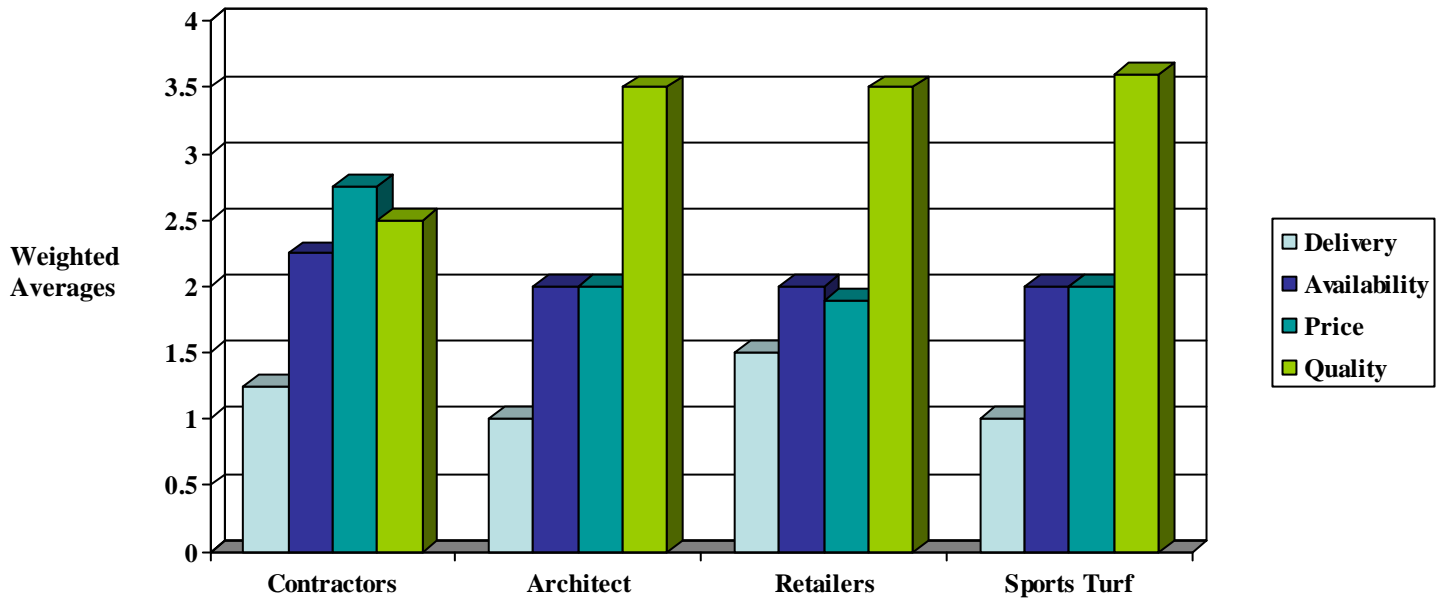
3) **Percent of Product Volume Purchased in Sod (as Opposed to Seed) in Three Regions of Eastern U.S. (1999)**

Type of Buyer	NE	EC	SE	All Regions
General Contractors	25%	19%	69%	37%
Landscape Architects	28%	36%	72%	45%
Retailers	24%	37%	60%	40%
Sports Turf	36%	31%	77%	48%
Average All Buyers	28%	31%	69%	43%

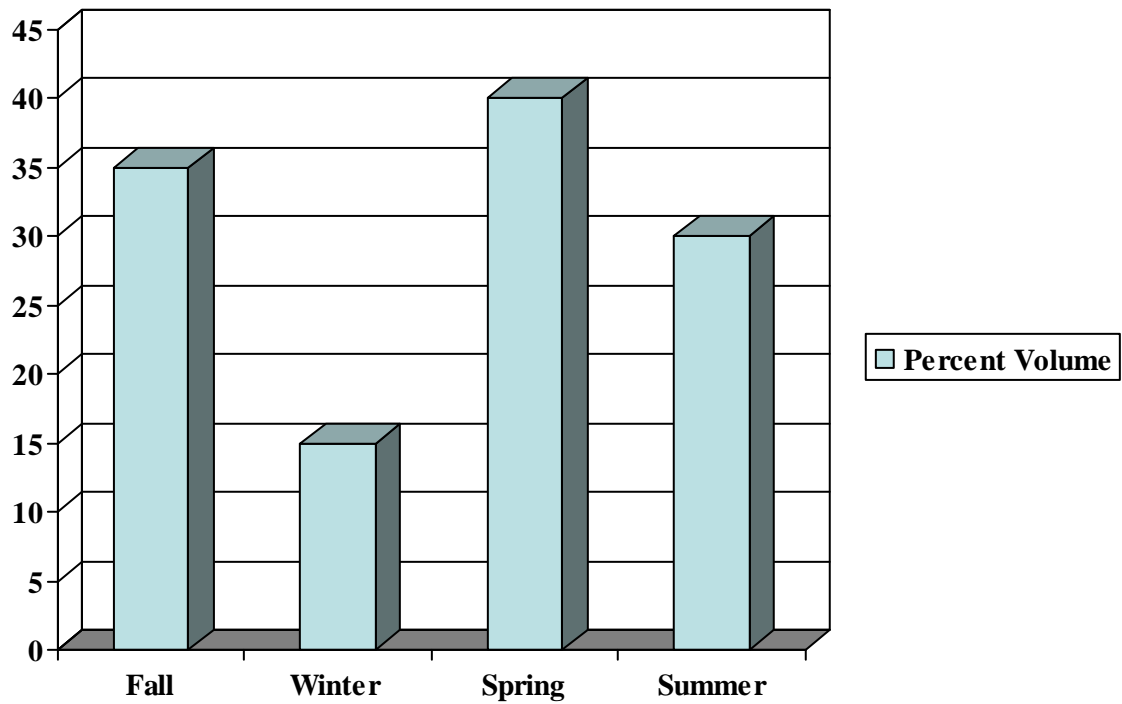
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Major Purchasing Criteria



4) Seasonality of Business Volume for Turfgrass Related Businesses, All Regions



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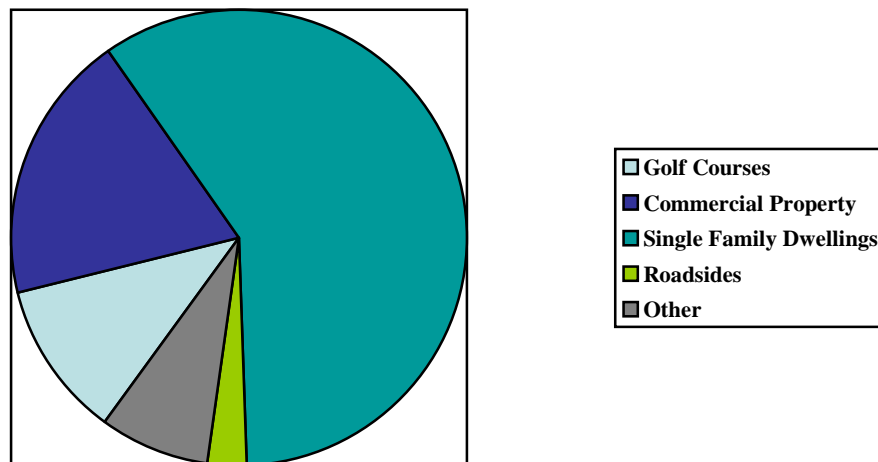
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- 6) Based on results of this study, several major market strategies were recommended:
- Diversify Distribution* – Sod producers are overlooking numerous opportunities with the retail sector and other small niche markets.
 - Target Architects & Developers* – Since this group specifies whether sod or seed is to be used, producers need to target them with descriptive, accurate, and timely information that focuses on the many advantages of sod.
 - Advertise More Effectively* – Sod producers do not advertise enough, do not put their ads in the right places, and do not consider the most appropriate niche markets.
 - Target Off-Season Periods* – Windows of opportunity may be available in the off-season for producers who are willing and able to find them.

Also, in 1999, a survey, funded by the North Carolina Turfgrass Foundation, was conducted to determine the economic impact of the turfgrass industry on the North Carolina economy. The findings included the following:

- North Carolina's turfgrass industry 1999 total economic impact on the state's economy was more than \$4.7 billion dollars

Total Economic Effect of Turfgrass Maintenance, 1999



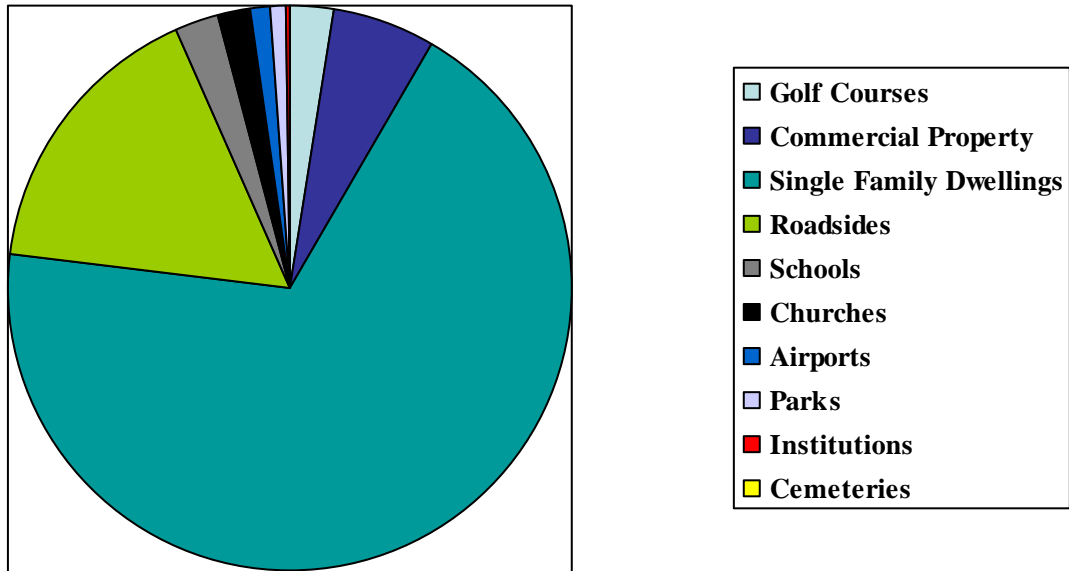
- North Carolina's turfgrass industry supplies more than 96,000 jobs
- Turfgrass acreage is equal to 44% of the States harvested crop acreage
-

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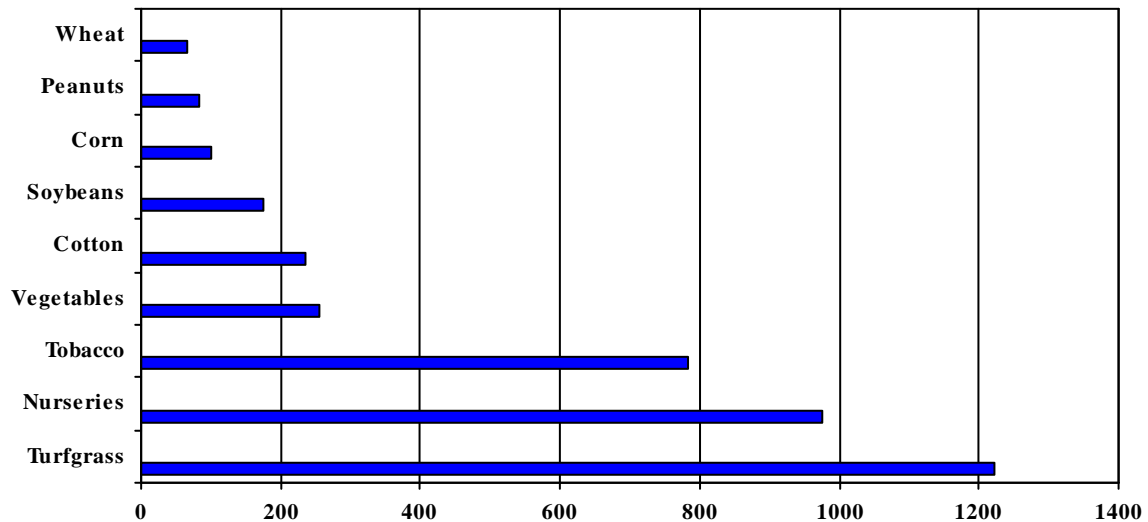
- Turf acreage is larger than the combined acreage of corn, wheat, tobacco, and peanuts
- Homeowners account for nearly 69% of the turfgrass acreage in North Carolina

Who has the turfgrass???



- Turf maintenance expenses were greater than cash receipts for any other agricultural commodity

Agriculture & Turfgrass 1999 Economic Comparison



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Market Analysis – Where Are You Now?**

Millions

Growth in the Turfgrass Industry

	1994	1999	% Change	Annual Growth Rate
Acres in Turf	1,758,600	2,135,000	+ 21.4	+ 4.3
Turf Maintenance Expenses	846,652,000	1,221,014,000	+ 44.2	+ 8.8
Value of Equipment	\$3,396,141	\$4,628,265	+ 36.3	+ 7.3

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