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Market Expansion Strategies for Turfgrass Producers in the Eastern United States¹

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Introduction

Historically, turfgrass research has focused on the numerous biological, physiological, and cultural aspects of sod production and maintenance. Such efforts involve making sod varieties more resistant to pests and diseases, increasing off-take rates through improved cultural practices, and enhancing harvesting efficiencies through technological innovations. While this type of research clearly fulfills an important need for the turf industry, it does not address another problem confronting many farmers. Stated quite simply: How prudent is it to invest thousands of dollars in capital and hundreds of man-hours in labor cultivating a crop if, when harvest time arrives, the producer has trouble selling it in quantities and at prices that are deemed acceptable?

Although waiting until the last minute to secure a market may seem neglectful, it occurs frequently throughout agriculture, and the turfgrass industry is no exception. Research in Florida has shown that while production of sod has kept pace with market

demand, producers have done little to expand markets or add value to their product. Indeed, when adjusting for inflation, prices for nearly all major Florida grasses have declined considerably over the past 25 years (Haydu and Cisar, 1992; Haydu et al., 1998).

This trend is common throughout the United States. Falling real sod prices have occurred in spite of rising input costs, particularly for raw materials and labor, resulting in an uncomfortable cost-price squeeze for many growers (Johnson, 1995). These trends can and should be reversed. The problem is not a production issue—most producers already know how to grow quality sod—the real challenge is to sell turfgrass profitably and in sufficient volumes.

The study from which this is excerpted sought to identify practical strategies for expanding sod markets by enlarging the entire turfgrass "pie" so that all producers would have the opportunity to obtain a larger slice, as opposed to merely redistributing the same-sized pie among many competing producers.

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Since sod typically is used for various applications—landscaping new residential and commercial developments and re-landscaping existing developments, sports turf facilities, and other commercial applications such as schools and roadsides—potential sod buyers fall into the four main categories of *general contractors*, *landscape services*, *retailers*, and *sports turf users*. Information for this study was gathered by asking respondents in these four categories to answer several questions concerning type of seller, customer needs, purchasing criteria, seasonality, and buyer expectations about future demands for sod.

Research Results

Sod Purchasing Characteristics

Point of Purchase

Unlike many other agricultural commodities that utilize several marketing channels (e.g., shipping-point marketing firms and large integrated wholesalers), sod is handled quite simply and uniformly by passing directly from the farm to the vendor/consumer (Figure 1). Obviously, the majority of all sod is purchased at the "farm gate." This rather direct mode of distribution is probably due to sod's perishable nature and its considerable bulkiness and weight.

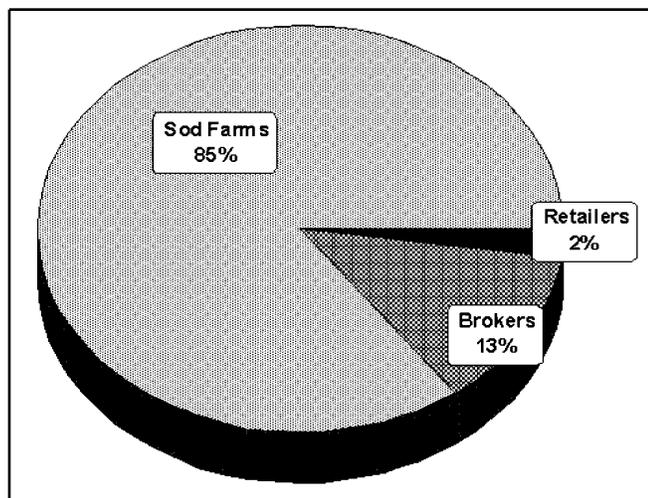


Figure 1. Purchasing sources for sod by all buyer groups in the northeast, east central, and southeastern United States.

One interesting finding is that the dominant sod-buying group was not developers of residential

sites or sports turf groups but rather the retail sector. Substantially more turf moved through the retail sector than through the other outlets, indicating its surprising market influence. Normally one thinks of developers and landscape contractors, not retail firms, as major market outlets for sod. Such results suggest that this rather non-traditional segment may be gaining in prominence. Primary buyers at retail firms are typically homeowners, lawn maintenance firms, and very small landscape contractors. The economic boom that has been the impetus behind robust growth in new housing starts has very probably influenced owners of existing homes to renovate their residences.

Type of Grass

Another finding was that unlike the northeast and east central regions, which were dominated by one or two varieties, the southeast had four grasses with substantial market shares. By combining the square feet purchased in each region, the grass type capturing the largest market share for the entire eastern United States was determined to be the bluegrass/fescue blend (32%), followed by bluegrass (19%), bermudagrass (16%), fescue (10%), and St. Augustinegrass and centipedegrass (7% each).

Sod Versus Seed

Another factor to consider when examining the sod market for different geographic regions and types of consumers is the ratio, or percentage, of sod used compared to seed. From a marketing perspective, regions that utilize a greater proportion of seed could potentially offer a correspondingly larger market for sod. In the Northeast, the average respondent used roughly one-quarter sod and three-quarters seed. In the Eastern Central portion of the country, which includes Kentucky and Virginia, the ratio of sod-to-seed increased to one-third. Finally, the Southeastern states were the near opposite of the Northeast, with roughly three-quarters sod purchased compared to only one-quarter seed. Interestingly, this use pattern was fairly consistent across the different business categories. The general conclusion is that market opportunities for increasing sod demand are greater in the North than in the South.

Seasonality

Findings indicate that the peak periods of business volume for turfgrass occur in spring and fall, and the slack periods occur in winter and summer (Figure 2).

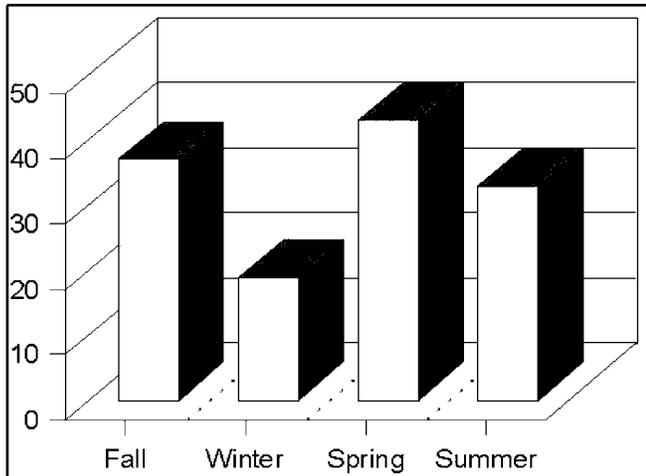


Figure 2. Seasonality of business volume for turfgrass-related businesses, all regions of the eastern United States.

Desired Product Characteristics

Perhaps the most vital marketing function is to provide the types of products that consumers want. In theory, matching product characteristics with buyer expectations will make consumers happier, and consequently they will attach more value to that product.

Purchasing Criteria

Quality was highly ranked by sports turf users, retailers, and architects, while contractors placed more importance on price. Therefore, when selling sod, producers should emphasize quality over price for all groups except contractors. This leads to the question: Why did the contractor group differ from others by placing a premium on price rather than quality? Perhaps the most compelling reason is that sod purchases represent a minor part of a contractor's business volume. Many general contractors and developers may only deal with sod indirectly through their landscape contractors, leaving them farthest removed from the final consumer, whether a homeowner, a garden center shopper, or a member of a golf and country club. Because they are more distant, general contractors tend to be less aware of

consumer shopper concerns, thereby focusing instead on something near and dear to themselves—their own financial bottom line.

Features Most Liked About Sod

The higher ranked "liked" features were appearance and erosion control. Respondents noted that sod provides a "finished, professional appearance" when compared to seed. Interestingly, even though appearance is an aesthetic (as opposed to functional) feature, it underscores the importance of perception by the end-user. Erosion control was ranked much higher than weed control, perhaps stemming from the fact that erosion is heavily fined by local governments in some areas. Because soil run-off is viewed as harmful to streams and rivers, it is increasingly becoming a sensitive issue with environmental agencies.

Features Least Liked About Sod

The highest ranked "disliked" features were high initial cost and labor to install.

Market Expansion Strategies for Sod

Results of this study indicate that sod producers in the Eastern United States have ample opportunities—both individually and collectively—to increase demand for their product. The study's recommendations highlight some of the more significant market opportunities for producers but should not be viewed as the only opportunities.

Diversify Distribution

The distribution of sod is too concentrated at the farm/wholesale level, which restricts access for potential buyers. If more sod were moved to the retail sector—whether through retail chains, independent garden centers, or sod depots established by producers—sod demand would increase. Targeting more sod at the retail level requires selling smaller quantities to meet the space constraints of that sector. Even large retail chains are faced with space limitations in storing sod, and nurseries have stated repeatedly that they could sell a lot more sod if they were allowed to purchase smaller inventories.

Making sod available at retail locations would also help consumers in remote locations, who face even greater obstacles in purchasing sod, since producers tend to concentrate on marketing to urban centers.

Similarly, producers should be willing to work with the retail sector to devise technologies for increasing the length of time sod can be stored. Perhaps a new type of pallet could be devised that would permit spaces between each sod layer on the pallet. This extra space would allow more oxygen to permeate the thatch and more water from misting systems to get between the layers. Such a pallet system would save considerable space, allow more sod to be stored, improve sod quality, and increase the volume of sod being sold.

Finally, producers should avoid shipping unprotected sod long distances and during periods of extreme heat. Frequently, buyers receive sod with the ends dried out and burned, which results in a "quilting" effect when the sod is laid. In addition, these dead areas are highly prone to weeds within a short period of time. In other words, a little care can go a long way in keeping satisfied customers.

Target Architects and Developers

Because architects and developers specify what is to be included, or not included, in a building site, it is important to develop educational materials and programs that target commercial and residential architects and developers. These businesses are highly cost-conscious and need only to be convinced of the benefits of sod.

Rectify misconceptions about the cost of sod by comparing the total costs associated with seed for the duration it takes to get it fully established. Seeding involves considerable aggravation and cost from repeated repairs after rains, fines levied by regulatory agencies for soil run-off, and irate homeowners faced with mud and dirt tracked in by people and pets. If homeowners were properly educated about the benefits of sod, they would probably insist on it, even though sod has a bad reputation because of the high initial cost. If sod were included in the building budget, it would actually be a very minor expense. For example, assume that the price of sod is \$0.30 per square foot laid (land preparation not included since

seeded lawns also require it), that the lawn is 3,000 square feet in size, and that the cost of the new home is \$150,000. Therefore, $\$0.30 \times 3,000 = \900 , which when divided by $\$150,000 = 0.006$, or less than one percent. Because the price of sod is not factored into the original budget, the homeowner is faced with this additional cost at the very end of the project—something that most people do not anticipate and are not prepared for financially.

Producers should also identify local areas that actively enforce fines and other penalties for soil erosion. Local architects and developers would be particularly receptive to being introduced to a viable alternative to seed. Show the numbers in terms of cost and emphasize the other benefits as well (i.e., avoiding the aggravations associated with maintaining seeded lawns). Also, consider contacting city and county agencies to convince them of the many benefits of sod.

Advertise More Effectively

In most areas of the survey region, demand for sod exceeded supply. So if producers are having trouble selling sod, it is not from lack of market demand. In fact, one of the biggest complaints from customers was their frustrations in trying to find sod. This suggests that a major obstacle to greater sales for many producers is a lack of basic communication.

Producers need to become much more aggressive in their advertising—not just more advertising, but advertising more effectively. They should identify who the customers are, where they are, and what they want, and then use the appropriate advertising media. For example, advertising in an industry trade magazine is not the answer because it will never be seen by most customers.

The turfgrass industry should consider implementing a top-notch national advertising campaign. The average consumer is unaware of how much grass contributes to the quality of life by preventing soil erosion, reducing temperatures surrounding the house, and filtering out harmful chemicals before they reach vital water supplies. In other words, turfgrass needs to advertise its many benefits to the public.

Improve Quality and Professionalism

Because quality was ranked as the most important purchasing criterion among buyers, lack of quality was a major complaint. Poor quality comes in many forms—sod infested with weeds, harmful insects or disease; sod cut too soon (sits in fields too long, waiting for shipment); sod cut improperly (not enough soil, dull cutting blades, cut unevenly) so that it falls apart by the time the customer receives it; sod contaminated with unwanted grasses; etc.

Improving quality needs to be exercised not only from an individual producer's standpoint, but also collectively by the industry at the local, regional, and national levels. Educational programs directed at producers should emphasize the long-term benefits of quality *for everyone*. Given the importance that buyers attribute to quality, it is clear that producers can use this easily and effectively to increase demand.

Numerous respondents complained about late deliveries and producers who did not stand behind their products. Unprofessional behavior hurts everyone—other sod producers, the customers, and even the producer with the unacceptable behavior. A commitment to professional standards and the quality of the product are inseparable. A true professional will not sell inferior products. Similarly, a professional embraces ethical business practices, is reliable and efficient, and treats both employees and customers right. Professionals are successful because they do things right, and everyone wants to do business with someone who can be trusted time and time again.

Educate Producers and Consumers

The sod industry really needs to become more aggressive about promoting its product through educational programs. For example, consumer education areas that should be addressed by sod producers include:

- **Cost:** Sod is not expensive, people only think it is. Erroneous perceptions, if not corrected, have real-life consequences.
- **Convenience:** Consumers should be educated about time factors. Sod provides a beautiful, green lawn with a clean playing environment

almost instantly. This should be an easy sell because Americans are notorious for demanding instant gratification.

- **Environment:** Consumers should be taught the environmental benefits of sod, particularly in urban areas where pollutants from street run-off is excessive and dangerous. Research has been done to show how turf acts as a natural filtering device; homeowners need to know this.
- **Maintenance and Care:** Sod frequently comes under attack during periods of drought because many consumers believe that sod requires a lot of water. The problem is not the sod, but the consumer (homeowner or business), because lawns often are over-watered. Moreover, computerized watering systems are a bane to the image of turfgrass because once they are installed, consumers think their tasks are done since the system is automatic. The sod industry should work with the irrigation industry in promoting technologies that conserve water. In addition, the turfgrass industry needs to develop inexpensive, or free, brochures and pamphlets that instruct homeowners on how to care for their lawns in an environmentally responsible manner.

Target Off-Season Periods

Producers need to identify marketing opportunities during the beginning and end of the winter months when outdoor activity is down. City and county governments, public and private schools, developers, and homeowners may be receptive to buying sod if conditions are suitable. Since it is likely that sod quality will be inferior during this period, producers should consider selling it at a lower price as a "Grade B" material. By selling the inferior-quality sod for less, more volume may be sold, which could help reduce unwanted inventories and costly maintenance in the fields. Naturally, selling during off-periods will be influenced by weather conditions, but "small windows of opportunity" at the beginning and end of winter may be feasible, particularly for certain areas like roadsides and highway rights-of-way. Moreover, sod has an advantage over seed in that it is more easily established during these

marginal periods. Finally, producers located farther south should recognize that these "windows of opportunity" will be open longer for them.

Many respondents complained about not being able to obtain sod when they needed it. This indicates that some markets are not being served adequately. For instance, some people complained that rural areas were being overlooked because producers were concentrating on larger-volume metropolitan centers. Clearly, outlying markets represent tangible opportunities, perhaps during off-season months. At the very least, the off-season should be used for making contacts for the spring, lining up customers, and being ready to begin delivery as early as conditions allow.

Finally, sod producers should consider contract growing. Several respondents indicated they would be interested in contracts if supply could be guaranteed. Although contracting may not be suitable for everyone, it can be particularly useful for larger-volume buyers. Because of their many inherent benefits, the use of contracts in agriculture continues to grow; it may be prudent for the sod production industry to explore more frequent use of contracts.

Conclusion

Results of this study indicate that demand for sod is currently very strong within the Eastern United States. The problem confronting producers is *not* one of demand but, essentially, ineffective approaches to marketing and a lack of sufficient resources—both money and effort—directed at reaching customers.

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