

Strategic Initiatives for the Oregon Turfgrass Industry

Based on Industry Research

For:

Oregon Seed Council

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Overview

In the past year, Decision Impact Inc. and Globalwise Inc. (i.e., Consultants) have thoroughly studied the cool season turfgrass seed market. The Oregon Seed Council and a Steering Committee of industry leaders has worked with these consultants to develop and implement a research design with multiple goals. These goals include gaining a better understanding of: the current market dynamics; particular issues / problems faced by the industry today; and possible solutions for implementation by the Oregon Seed Council as well as the industry as a whole.

For each step of this research process, members of the Steering Committee were fully involved by providing input and guidance to ensure that the methodology used and the analysis / interpretation of the data collected is appropriate and accurate. The Committee's perseverance and perspective throughout this process greatly added to the quality of the results.

This document is a product of the Consultants' understanding of the current market situation. It is their interpretation of what the industry should consider to achieve the highest likelihood of success for marketing cool season Oregon turfgrass seed products.

This document recommends specific strategic initiatives. In turn, upon review and acceptance / rejection of specific suggested initiatives, it is suggested that the industry draft a plan with a complete set of strategies and tactics. The Consultants will be available upon request to assist the industry/OCS if needed for this next step.

These initiatives are recommended to the Oregon grass seed without regard for whether they are within the scope of allowed activities for the Oregon Seed

Council. They are based on the Consultants current understanding of the market situation as developed over the past year via the research process and assistance / guidance of the Steering Committee.

Each initiative is articulated and supported by an explanation. Action Items are provided for the initiatives to better explain why the Consultants recommend the initiative. These are not a complete set of actions or tactics which ensure successful completion of the Initiative. Finally, these proposed initiatives are interrelated to a varying degree.

Summary Observations

Before proceeding to the strategic initiatives, it is important to summarize the observations and interpretations created from the extensive research effort undertaken for this particular endeavor. A more comprehensive discussion of these observations can be found in the “Final Thoughts” section of the report titled Turfgrass Seed Market Study – A Summary which is available from the Oregon Seed Council.

Industry Progression

The industry is changing in a natural progression within the mature stage of the product lifecycle. To successfully compete in such a market environment the parties involved (Farmers, Dealers, etc.) must have a clear understanding of what occurs in that stage of the product life cycle. These parties must develop, define, and redefine their core competencies based on the changing needs of their target markets as the natural evolution of change occurs across the channel.

The research indicates that buyers are quite clearly aware of the changes in the market and economy. They are particularly interested in obtaining as much value as possible from products. Since there are many competitive options available, consumers can truly be selective based on their perceptions of price and quality. Successful competitors understand this dynamic and act accordingly to position themselves to provide the high levels of perceived value as well as differentiating themselves based on other key drivers of importance (such as relationships and location).

Market players are differentiating themselves in at least one of three ways. First, they can focus solely on price or quality. Second, they can key in other important

stated needs that buyers articulate, or third, they can find and focus on new markets, buyers, or opportunities (i.e., consumer, export, etc.) for their products.

The research identifies other buyer needs that are important in respect to competitive position. The important buyer buying criteria are: vendor relationships, customer support, product availability and convenience in acquiring product; the localness or accessibility of the vendor to the client; and, delivery ease, time and cost.

Finally, new market opportunities can also be addressed. These opportunities may come in the form of: new and changing channels of distribution (e.g., mass merchandisers, or vertical integration); new emerging markets (e.g., consumer, or export); strategic alliances; and possibly new product development.

Market Change Felt First and Most Deeply at Growers and Dealer Level

Second, the further up the channel (e.g. toward the growers), the more sensitive players are to industry change and issues. This can be seen not only in changes in inventory and sales over the past few years, but also in relative sensitivity to industry threats and issues (e.g., artificial turf, water use, and eco-trends and influences). Even though the research shows resellers and buyers may not be as aware of some of these concerns as are Dealers and Farmers, it does not mean these threats and issues should be discounted. Instead they should be viewed as an opportunity to be proactive and not reactive from either a company or industry standpoint.

To be proactive, key players must have the knowledge and strategy in mind to stay on top of the industry over time and in real time. This means Dealers and Farmers must be able to better predict industry change in respect to market demand and supply. They must work together to identify industry threats. Finally, they need to consciously develop information processes that will ensure systematic collection, dissemination and analysis of important market and industry data that can be used by their members to plan accordingly and in some cases take more immediate action when changes in demand or supply occur or new threats emerge.

Leverage Strengths

Third, it is important the key industry members organize and unify to leverage their here-to-fore unrealized strength. They also need to combat potential barriers. This begins by bringing Dealers and Farmers and all of their representative bodies together to agree upon a similar set of goals and objectives. This effort will address some of the problems that have existed between these two interest groups for some time. Just as importantly it will

establish a framework for how to address competitive threats and marketing opportunities outside of the State as well as achieve resource and government support within the State. One much louder voice and a “big stick” will go a long way to address many of the issues and concerns Dealers and Farmers have today.

Fourth, even though “product origin” is perceived not to be as important today to resellers and buyers as in the past, Oregon Farmers should still leverage brand equity as much as possible. It begins with the knowledge that Oregon cool season turfgrass seed still dominates the marketplace in respect to sales share and product quality. The region should work to dominate the market competitively and position itself accordingly. Assuming a leadership role begins with the attitude that Oregon should have strong brand equity. Creating a national identity through the creation of a national association; certifying the Oregon brand; formulating aggressive national public relations efforts, conducting education and lobbying to support and protect the industry are several areas that should be seriously considered by the industry.

Strategic Initiatives

Strategic Initiative 1: Create a Unified Association that is National in Scope

Observations / Facts:

There are multiple organizations in the State of Oregon that represent the interests by particular turfgrass specie or channel member in the turfgrass seed industry. It was also discovered that many states have their own state-wide associations and that there currently is no national organization/association for turfgrass seed.

Historically, Oregon has dominated the national marketplace for cool season turfgrass. The major suppliers and the majority of wholesalers (e.g., “Dealers”**) reside in Oregon or have a significant presence here.

Newer but smaller regions (Minnesota, Missouri, Alberta Canada, etc.) are competing with Oregon products. Even though these newer production regions may not be perceived to provide the same level of product quality they are geographically closer to most of the target markets. This research found that product availability, convenience, location, delivery ease and delivery cost are becoming more important to resellers and final commercial buyers.

Brand equity is an important competitive advantage to most companies. Due to the perceived relationship between improved product quality and brand equity, in a competitive mature marketplace products with strong brand equity can be

priced higher than comparable competitive products. To that end, Oregon-grown turfgrass seed has enjoyed stronger brand equity for quite some time. This is not something to let slip away—particularly in a more price sensitive competitive environment.

Key Action Items:

The State can take the position it deserves and assume national competitive dominance. Within Oregon, unify across all representative associations and assume a new role as the national representative body for the industry.

Work with other agricultural groups within the State. Act in the role befitting agriculture as the number one industry to secure proper support and resources from within the State and also access other out-of-state sources.

As a national association, seek out membership from each state's own associations and their members. Create a proactive plan that results in national and regional trade shows, meetings, seminars, training programs (complete with certification) etc. Develop a marketing plan that educates, informs, promotes and lobbies nationally and locally. Focus on the audiences that need to be addressed (e.g., government, universities, consumers, retail, etc.) and target strategies accordingly.

Create a national website or community complete with the ability to interact (i.e., discussion boards, staff postings and more), educate (i.e., on-line training, certification, and more), inform (white papers, post articles and more) and promote (new products, key business news and more).

Develop the capabilities to collect, analyze and disseminate market data and industry information to association members regularly. Develop support functions to track market trends and forecast demand / supply, along with other insightful facts.

Strategic Initiative 2: Create and Manage an on-going Knowledge Management System for Key Members of the Industry

Observations / Facts:

The research from this project shows that information regarding the state of the market is not systematically collected and disseminated across key members within the industry. Such a system can assist key members respond to market supply and demand issues as well as identify and track industry threats.

Key Action Items:

Create and maintain a knowledge management system with primary elements. The elements of this system should include any on-going secondary information (including media stories and publications, white papers, government studies, etc.); sales, shipping, inventory data trends provided by key players (i.e., Dealers, etc.); market analyses and forecasts (internally and externally created); and primary research conducted on a regular basis to track performance measures essential to the well-being of the industry.

The membership community should come to an agreement regarding specific information needs and then work together to generate a plan which will address those needs regularly and on a real time basis.

The primary goal is to give key industry members the information that supports their need to be proactive and strategic.

Strategic Initiative 3: Develop Programs to Protect the Investment of Private Firms who are Investing in New Varieties

Observations / Facts:

Research for new seed variety development is an extremely costly and time consuming endeavor. Universities in the U.S., including Oregon State University, have generally stopped conducting seed breeding research. The high risk that other firms will duplicate or claim the same seed properties as the firms that undertake the development of new varieties has reduced innovative private sector research. New protections or approaches for seed breeding research are needed.

Key Action Items:

Determine if the European system for variety patent protection or a close variant can be implemented in Oregon. If it can, pursue this or a modified system as soon as practical.

Explore how the Oregon industry can work with Oregon State University to develop new breeding programs or broader collaborations with other universities or the private sector. The industry should also actively seek funding for research on new, break-through variety releases.

Strategic Initiative 4: Improve Dealer & Grower Performance

Observations / Facts:

Many Dealers have strongly indicated that a “low bar” exists for becoming an Oregon turfgrass dealer. The view is that this weakens the Dealer structure and disrupts market development. A primary concern is that companies can enter as Dealers without building a strong product offering or marketing program. The companies that want to be “quick sale” inventory movers are frequently the low cost sellers that undercut other companies making long term efforts to build profitable, stable business.

Growers have concerns that current business practices and the legal system in Oregon allow Dealers to establish seed production contracts with Growers that include inequitable payment terms. Vague and unenforceable language in production contracts is also cited as a means for Dealers to speculate in seed markets and pass the risk of oversupply disproportionately to growers. This places a majority of Dealers at a disadvantage who want to enter equitable production contracts with Growers.

Key Action Items:

Require that contracts between Dealers and Growers include clear standards for setting prices, establishing the time period for Grower payment and adding requirements for Dealers to hold bonds.

Strategic Initiative 5: Develop Improved Distribution Strategies to Reach Customers

Observations / Facts:

After price and product quality, continued long-term success with cool season turfgrass seed Resellers and Buyers depends on: distribution speed and cost as well as a good relationship with a local sales entity having readily available and conveniently accessible product. Since Oregon channel members are competing with products grown closer to the key markets of interest, it is imperative to develop a distribution strategy that positions Oregon products competitively overtime.

Even though a strong brand equity program should discount this logistical relationship problem to some degree, Buyers and Resellers will continue to

demand more from turfgrass seed sellers in regard to customer service, sale relationships, orders, shipments, packaging, and delivery.

Key Action Items:

Having a local presence with available inventory conveniently accessible and supported with good customer service at a reasonably competitive price is imperative. Obvious answers to this growing competitive requirement include holding inventory products closer to the customer; developing creative shipping and distribution strategies to reduce the time and cost of delivery; and rethinking the current relationship with Resellers / Buyers in respect to orders, shipping quantities and type, and packaging. Having a local presence can also provide a competitive advantage.

To understand this market opportunity and growing competitive threat, this issue must be studied further in respect to what can be done legally, financially, and competitively by members of the Oregon industry. However, it is something that needs to be addressed now particularly if no action is taken to emphasize Oregon brand equity and if there is a continuing emphasis on aggressive differentiation based on price and convenience.

Strategic Initiative 6: Enhance Market Development

Observations / Facts:

The recently completed research did not include analysis of customers who buy turfgrass in the Big Box retail chain stores. It was discovered that commercial buyers are not yet buying turfgrass seed through mass merchandisers (Big Box) however the research to-date shows that the consumer market is the largest single sales channel for cool season turfgrass seed. The growth of sales in Big Box stores is going to be a major determinant of the size and profitability of the Oregon turfgrass industry in the future. Also, research has shown that a significant percent of sales (10%) is attributed to exporting.

The industry has left market development to individual companies. As an industry there is not a coordinated effort to stimulate or even better understand the most viable market segments (consumer, export, etc.). It makes sense to explore and further understand the market dynamics of these segments.

Key Action Items:

More research should be done in both the consumer and export market segments. Big Box store category managers must be targeted to better understand their attitudes, perceptions, buying habits, and business constraints.

The general consumer marketplace should be queried in respect to their knowledge, and understanding of cool season turfgrass seed product solutions. Finally more research should be performed on the market dynamics / logistics associated with the export market.

Strategic Initiative 7: Develop a Strong Branding Strategy for Oregon

Observations / Facts:

Research indicates that there is a larger than expected number of Resellers and Buyers who do not know the domestic origin of the seed. They also do not recognize Oregon seed as being the dominant product group in this market with intrinsically superior characteristics. In addition, many established Dealers / Wholesalers want the flexibility to blend Oregon seed with varieties from other production areas.

There should be a greater level of awareness that Oregon is the major production area and that Buyers have sound reasons for keeping strong ties to Oregon Growers and Dealers. Missouri, Minnesota and other states will continue to challenge Oregon production.

Strong, recognized and well-perceived brand equity is a competitive advantage Oregon Growers are cautioned to not let slip away. This is particularly true with a tightening marketplace in respect to pricing and competition. Building brand equity will provide the Oregon turfgrass seed industry with advantages in pricing and marketing to repel competitive advances from products grown in other states.

Key Action Items:

Commit to branding and certification of products originating from the State as "Made in Oregon." Work with the Growers to establish quality standards and expected levels of composition in respect to location of origin (e.g., 90% grown in the State).

Organize annual green industry writer's tours to ensure the extensive testing, research and seed production infrastructure of Oregon is known, documented and well presented in electronic and print media. This infrastructure should also be touted in a widely disseminated DVD and on the Internet.

Develop a speaker's bureau of Oregon industry spokespersons to address students in the leading colleges and universities which offer turf management classes.

Include descriptions of the major successes of Oregon turfgrass seed in domestic and international markets in publications and news releases as evidence of the worldwide recognition achieved by the state's seed industry.

Strategic Initiative 8: Develop a Strong Marketing Program particularly emphasizing an Aggressive Marketing Communications Plan (i.e., Information, Education, Promotion, and Public Relations – including Lobbying)

Observations / Facts:

Even though research with Resellers and Buyers did not show significant concern regarding potential market problems, secondary research identified an on-going series of articles and stories providing negative images and messages of turfgrass seed products to the general public. These negative messages are found in government reports, publications disseminated by environmental groups, and widely distributed news stories. These messages include assertions that turf areas should be minimized or eliminated for any number of reasons, mostly environmental.

Besides the spread of misinformation there is also the continual need to educate the general consumer, commercial buyers and channel members regarding the application and benefits of turfgrass seed product.

The Oregon turfgrass seed industry is a huge factor in the Oregon economy. However the industry's influence and importance is not fully expressed in the Oregon legislature; the federal government and its agencies; with State agencies; or with Oregon State University.

Finally, Oregon has historically been the dominant state for production and distribution of turfgrass seed products. However other states are expanding their production. Education and knowledge of Oregon's on-going supply dominance and the factors behind this will go a long way in improving the State's competitive advantage and increasing its brand equity.

Key Action Items:

Launch a systematic and efficient "process" that informs, educates and promotes Oregon turfgrass seed products to the primary audiences. This process entails identifying each of these interest groups (e.g., the media, the general consumer, channel members, state agencies, and legislators). The process also should establish the key messages to convey in the categories of (education-based, information-based, and promotion-based). The best mediums also need to be identified (e.g., website, direct marketing, point of purchase, press release, on-

line training, white paper, or direct communication via lobbying). The process continues by establishing communication strategies and tactics focused on stated objectives the industry wishes to achieve in the short-term and long-term within budgets and timelines.

An organized, focused association that combines the interests of state and regional turfgrass associations can dominate the national marketplace (i.e., a national association). With one voice the stated communication objectives can be addressed. It is much easier to communicate with national agencies and the media if the origination of the message is from a credible national resource rather than one of many local / state-based entities.

There is an obvious need to develop on-going communication forums that efficiently capture and retain the basic information resources for audiences. A well designed website is ideal to supply on-going information to viewers of interest. Promotion of this website to the target audiences is as important as creating its content.

This website can also serve as an initial point of contact for other information resources that may be available to these particular audiences of interest. This may include customer service / support; a retrieval center for particular information resources (i.e., white papers, and videos); an interactive center including discussion boards and expert opinion / advice centers; on-line training; market channel contact information; important research data and reports; and lobbying news.

Strategic alliances with other agencies may prove to be a better method than alternative methods / mediums to achieve certain communication objectives. Affiliation might be very effective with groups like Turf Producers International (TPI) and PLANET (Professional Landcare Network) to deliver the positive messages campaign in key regions and principal U.S. market segments.

The focus of this systematic planning effort is to convey targeted messages across constituent groups. This could be as simple as increasing awareness and knowledge of a particular timely topic or as difficult as persuading consumers to change buyer behavior or marshal constituents to urge legislators to pass a new amendment. Whatever the objectives, they must be measured for performance evaluation. At the outset the plan should have core measureable objectives with a performance measurement system complete with market tracking to determine the level of implementation success achieved.

Finally, the program should place more emphasis on lobbying the Oregon legislature on behalf of the industry. Expanding the time spent lobbying in concert with a public relations campaign is very powerful. Commission research to more clearly articulate the dominance and importance of turfgrass production to the Oregon economy will leverage the lobbying effort. Other key elements of

the program are regular engagement with the Oregon Department of Agriculture on policy decisions and efforts to secure more research funding for targeted projects for Oregon State University.

Summary

Bold and new efforts are needed if the Oregon turfgrass industry is going to regain its preeminence in the marketplace and achieve its future potential. The initiatives discussed here logically result from the findings of the research conducted to date. Taking action on this research, plus learning from the unfortunate conditions experienced in the last four years, will help move the industry toward a more prosperous future.