

Marketing to a Dealership's Changing Clientele

Bob Cropp, Interim Director and Professor Emeritus
UW Center for Cooperatives
University of Wisconsin-Madison



Changing Clientele:

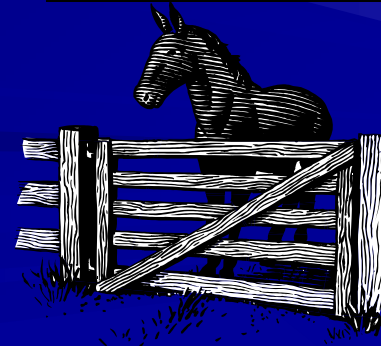
- Urban sprawl and home developments in the countryside have placed many farm supply businesses—both cooperatives and non-cooperatives---in a market environment of the ***traditional farmer customer*** along with new ***part-time (hobby) farmers*** and ***non-farm home owners***.
- This offers both a challenge and an opportunity for these farm supply businesses.

- **The traditional farmer customer:**

- Small farmer and large farmer—needs and demands differ for products and services
- Large farmer is in position to bargain/shop around—may not be as loyal to one supplier
- Price is important, but so is service and product quality
- It challenges management in maintaining an acceptable bottom line for the business.

• Part-time (hobby) farmer

- Price is not as big of an issue
- Service is important—custom application, weekend or late hour service, special products
- Can offer higher profit margin, if sufficient volume to justify personal and equipment



• Non-farm home owner

- Takes pride in their lawns
- Interest in lawn and garden equipment
- May have interest in organic products
- Some are gardeners-flowers or vegetables
- Some have small plantings of fruit trees
- Have pets and some have horses
- Weekends and evening shopping
- Price has importance—may compare prices—but, information and advice may also be important



Serving the non-farm home owner:

■ Options for obtaining lawn and garden fertilizer, chemicals and pesticides

1. No or limited service suppliers:

- Farm and Fleet stores
- Discount stores—ShopKo, Wal-Mart
- Home Depot, Menards
- They also have lawn and garden tools and equipment, bedding plants, shrubbery
- Low prices

2. Full service suppliers:

- Garden shops
- Lawn care services
- Some hardware stores

Opportunities for Cooperatives and other Farm Supply Business:

- Many customers are not aware of the products or services—just for farmers.
- Surveys show consumers have a very favorable image of “Cooperatives”—honest, trustworthy, concern about the environment, concern about the community—some cooperatives have capitalized on this:
 - “Touchtone energy”—by the rural electrics
 - “We are owned by our customers”—CHS Inc.

- Lawn and garden fertilizer alone, if very competitively priced, but then not likely to be a significant profit center—why do it?.

■ To be a significant part of the business and a profit center, need to seriously market to the non-farm home owner. This may require:

- An attractive, friendly looking store
- Fertilizer, chemicals and pesticides (including organic)
- Garden seeds, bedding plants, shrubbery
- Lawn and garden tools and equipment
- Other consumer goods—hardware, gasoline, home heating fuels, home appliances, etc.
- **Plus, friendly and knowledgeable employees who can provide information to the customer**
- Competing on price alone is probably not sufficient

The **bottom-line** is, what makes your business—products and services—different from the other alternatives??

- Is it ***price***?—probably not if compare to Farm and Fleet, Wal-Mart, Home Depot, etc.
- ***Product quality***?
- ***Complete line*** of products?
- ***Service***?—technical information, soil testing, friendly customer service, personal who have the time and patience to understand the customer
- ***Attractive store conveniently located***?

Options for Farm Supply Cooperatives:

- Treat non-farm urban customer business as *member* or *non-member* business.
- If **non-member business**, any profits earned can go into un-allocated equity capital and the co-op pays corporate income tax.
 - *If non-member business is significant, it may allow the co-op to build equity capital and to pay out to farmer members a larger cash patronage refund.*

- If ***member business:***

- Non-farm urban customer business is part of the ***patronage pool***—could have separate pools for farmer patronage business and non-farm patronage business, or all one patronage pool.

- Non-farm urban customer is now a member of the co-op and shares in the net profit paid out as a ***cash patronage refund and allocated as equity capital***. The co-op pays no income tax on this net profit.—This may be attractive to the customer even if the patronage refund is relatively small.

- The non-farm urban membership may be voting or non-voting (don't vote for directors nor serve on the board)

Summary

- The non-farm urban consumer as a customer can be a solid business opportunity.
- But, it must be considered seriously—commitment of capital and human resources—if it is to generate reasonable business volume and net profits.
- Just competing on price alone is probably not sufficient.