



BUSINESS MANAGEMENT

AMERICAN SOD PRODUCERS ASSOCIATION

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JUNE /JULY, 1991

LEGAL HANDBOOK ON SOD MAILED WHEN MEMBERS RENEW FOR 91-92

"Federal and State Rulings Regarding Turfgrass Sod Production As An Agricultural Activity," a new 32-page publication from ASPA, will be sent to all members who renew their 1991-92 membership.

Expanded from a four-page information sheet previously available, this new publication presents the latest information on areas such as federal tax rules, wage-hour and other federal labor laws, as well as sections on environmental laws and the new forestry assistance program. It also contains a number of state-level rulings on real and personal property taxes, motor vehicle registrations, zoning and specific rulings that have been developed in some states.

Although this publication will not replace the need for competent legal counsel, it will help members focus on particular peculiarities of various laws and provide a considerable number of legal precedents that specify turfgrass sod production is indeed an agricultural activity.

SUMMER INTERN PROGRAM INITIATED BY ASPA TO HELP STUDENTS AND FARMS

To help attract talented young people into the turfgrass industry, as they earn money for further education, ASPA's Board of Trustees voted to establish the ASPA Turfgrass Sod Farm - Student Internship Program, beginning immediately.

Students will complete a standardized information form and ads will be placed in "Turf News." Members who want to consider or interview any of the intern candidates can contact the ASPA office at 708/705-9898 to obtain additional information.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided with the understanding that this publisher is not engaged in rendering legal, accounting or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought. Published bi-monthly for members of the American Sod Producers Association, under the auspices of the ASPA Business Management Committee. We invite your comments and recommendations.

WORKERS' COMP COSTS CLIMBING...
STEPS CAN HELP CONTROL/REDUCE LOSSES

Payments for on-the-job injuries, or at least injury claims, are rising at such a rapid rate that insurance companies are increasing the premium costs beyond the reasonable reach of many turfgrass sod operations. Some insurance companies are reportedly giving strong consideration to dropping all workers' comp insurance programs from their offerings.

The Better Business Bureau offers these suggestions to help owners gain control of the spiraling workers' compensation costs:

1. Practice Safety...establish a pattern of safe operations by holding training sessions on a regular basis. Teach people the proper way to operate equipment and safely perform their jobs.

2. Require Immediate Injury Reports...insist that on-the-job injuries be reported to the company immediately, and require that a form be completed and signed by the employee. As more and more time elapses between the injury and the claim, any investigation becomes more difficult. Question supervisors and co-workers to verify or dispute that any injury took place on the job.

3. Insist on Checkups...before allowing an injured employee to return to work, require that a company-designated doctor examine and approve the return. Early returns may cause further injury and ultimately prolong the claim.

4. Protest Questionable Claims...work closely with your insurance company to monitor all claims and then work vigorously with them to protest spurious activities. Relying on the insurance company to monitor the physical condition of your employees can lead to higher insurance premiums since there's less incentive for the insurance company to contain costs than there is for the farm owner.

EMPLOYEE BENEFITS SURVEY
NOW IN MEMBERS' HANDS

ASPA members (U.S. only) received an employee benefits survey along with their 1991-92 renewal notices so that the organization could determine whether an ASPA-offered program would be viewed as a member benefit.

If you have not returned this survey, please do so immediately. The Business Management Committee intends to review the results at its summer meeting in Portland and develop recommendations for consideration by the Board of Trustees.

Additional copies of the survey will be sent to anyone calling the ASPA office at 708/705-9898.

P R I C E W A R S

SELLING / PRICE CUTTING ... IT EFFECTS THE BOTTOM LINE!

Prepared by Richard Schiedel, Vice Chairman
ASPA Business Management Committee
Compact Sod, Cambridge, Ontario

Two cardinal rules in marketing:

1. Never stop selling your company to your customers.
2. Never develop a reputation for having the lowest price.

If what you offer turfgrass sod buyers is the lowest price, you have nothing more to offer. You're telling everyone that there is no other reason to have you as a supplier. You simply become a conduit for delivering a product at the customer's convenience. When the next order comes (if it does), you will be pressured to reduce price again. Unless you can convey to your customers the benefits of doing business with you, they are left with the criterion of price as the only reason to do business with your company.

In a survey reported in the March/April, 1987 issue of "Turf News," only 20-30 percent of customers reported price as the most important reason to deal with a sod company. However, if you insist on price cutting, this is what it can cost your company.

Case -- Your average price is \$0.95 per roll

Example Your cost margin is 30%

Your cost is \$0.66 per roll

For each 100,000 rolls sold, your gross profit will be \$29,000

Price Cut #1 -- When you drop your price by \$0.05 per roll, you will need to sell 120,833 rolls to make the same amount of gross profit.

You have dropped your price 5.3%, but your

Sales will need to increase 20.8%

Price Cut #2 -- When you drop your price by \$0.10 per roll, you will need to sell 152,631 rolls to make the same amount of gross profit.

You have dropped your price 10.5%, but your

Sales will need to increase 52.6%

Price Cut #3 -- If you drop your price by \$0.15 per roll, you will need to more than double your sales at 207,142 rolls to come up with the same gross profit.

You have dropped your price by 15.8%, but your

Sales will need to increase 107.1%

Never, never forget that in a slow economy, a price driven company takes the tumble first, because they have nothing to sell other than price.

MEMBER MARKETING TIP:

Prepared by John McPhail, Chairman, Business Management Committee
Gold Star Sod Farms, Canterbury, New Hampshire

"Evolution is continuously at work in the market place;
adaptation is crucial."

Listen to your customers. They will tell you what they need that the industry isn't providing them. Find a way to provide it and price will become less relevant. We did just this by providing washed sod to a client this spring.

SBA PROGRAM OKS SOD IN NEW PROGRAM

Turfgrass sod producers stand to benefit from a new Small Business Administration Natural Resources Development Program. While the new program is primarily aimed at planting trees, it will also include sod and other ground covers in a complementary role.

Last year's farm bill included a role for sod in a new urban forestry program and since its enactment, ASPA has been working closely with the U.S. Forest Service to ensure broad awareness at the state and local levels of sod's role in the program.

The SBA program was also enacted last year with the principal thrust being to provide grants to state and local governments to plant trees purchased from small businesses. However, in order to receive those grants, the state and local governments must contribute 25% of the cost, either in cash or in kind, the latter of which may include the care and maintenance of the trees.

In working with the SBA, ASPA was able to ensure that the information provided to the grantees makes it clear that the planting of "complementary ground covers" (which includes turfgrass sod) would be counted as an "in kind" contribution. Thus, implementation of the program could include purchases of sod by state and local governments to fulfill their 25% matching contribution.

ASPA members are encouraged to establish and maintain contact with their state's urban forestry officials to ensure that the implementation of the Forest Service and SBA programs include a strong role for turfgrass sod.

LISTEN TO WHAT YOU SAY...

SAYING THE RIGHT THINGS, THE RIGHT WAY

A customer (old or new, it doesn't matter), calls to place an order and asks about the earliest delivery available. You can say, "The best we can do is to have it there Tuesday." Or, you can say, "Would Tuesday be okay, or would Thursday be better?"

You're giving the customer a choice, and while most will select the earlier day, they have a better feeling about your company because they feel they had options.

WHO MADE THE MISTAKE...WHEN AN EMPLOYEE ERRORS?

It's a normal day at the farm...until you learn from an out-of-breath employee that there's just been a major mistake! What do you do? How do you react? Where does the fault lie?

Harold L. Taylor, author of "The Key to Successful Management," says the owner/boss, should look at himself first and ask some hard questions. Did you explain the situation? Did you rush through the instructions? Did you warn the employee about unusual circumstances that might arise? According to Taylor, you should blame the employee only if you are blameless, and then you should only focus on how to prevent something like this from happening again.