



## FOCUS: BUSINESS/STRATEGY

### Technology and "IT"

When we think about the dramatic changes in agriculture that we have witnessed over the last decade or so, we focus on plant biotechnology and its impact on row crops. And indeed, we should. Although the technological advances have not been adopted by all countries, their impact is being felt globally. Of lesser note has been the impact of other technological improvements. Many of these computer-driven changes have been felt on the production side of agriculture. Precision farming and animal specific feeding regimes are just two examples. In each case we see the cycle of invention, early adoption and then mass acceptance.

Less attention has been paid to the impact of technology on the **marketing** of crops. A good example is turf grass. Not so many years ago, the primary driver of volume and market share was price. The varieties within the various species were merely commodities.

Over time, extensive breeding programs were developed and product attributes became the market driver. Some of these were owned and operated by individual companies, but the major thrust was in the public sector. The USDA experiment station in Tifton, GA, Penn State, the University of Rhode Island and Texas A&M have all made, and are making, important contributions. At Rutgers University for example, improvements in perennial ryegrass have been followed by improvements in turf-type tall fescue.

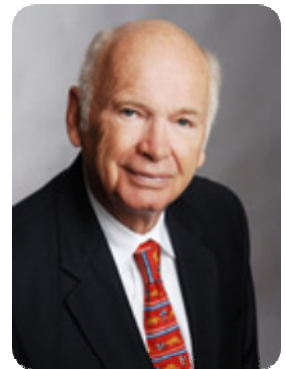
The new varieties being produced, marketed and used today bear little resemblance to their predecessors. Strangely enough, on the marketing side we have come full circle. Because all the new material is good (and essentially, statistically equivalent) the "new and improved" varieties have become commodities. In essence, the market is dealing with distinctions without any material differences.

If not genetic superiority and/or agronomic performance, what then is driving market share? Once again it is technology. Not biotechnology, but business to business software. By far, the vast majority of the turf grass volume is being done through the big box stores. Not so many years ago their business was done on a price-only basis. To quote, or misquote, a famous movie line, the buyers would simply say "Show me the money!" The lowest price won.

In time, the relative importance of price was mitigated by the introduction and availability of new genetics. The new requirement was the ability to supply "What's hot!" Today you need not only a competitive price and acceptable genetics, but also a relatively high level of computer competence to meet the customers' IT requirements. The supplier is responsible to monitor stocks at individual stores and do this on a daily basis. Making certain that the shelves are stocked and properly displayed is a supplier must.

The narrow selling margins that prevailed when price was the primary differentiator have been replaced by significantly higher margins today. That is the good news. The not-so-good news is that the costs associated with maintaining a big box account are dramatically higher. To stay in the game, you must retain access to competitive genetics, but more importantly, you must be utilizing a 21<sup>st</sup> century technology and up-to-date business practices. For more, contact [jim.billings@contextnet.com](mailto:jim.billings@contextnet.com)

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