

# Do You Know Where Landscape Maintenance Firms Purchase Plant Material?

by Dr. M.P. Garber, University of Georgia



The landscape maintenance industry is an important part of our rapidly expanding green industry and a potential market for producers of greenhouse and nursery crops. A survey of landscape maintenance firms in Georgia was conducted to:

(1) analyze business characteristics that relate to the supply of plants, equipment, and services to the landscape maintenance industry, (2) determine the value and source of plant material purchased by landscape maintenance firms, and (3) compare the results by size of landscape maintenance firms since market segmentation can help focus marketing plans. Previous market research indicated that different size landscape architectural and landscape installation firms in Georgia had different service requirements.

Survey questionnaires were mailed to 190 firms which were members of the landscape division of the Georgia Green Industry Association (GGIA), Metropolitan Atlanta Landscape and Turf Association (MALTA) and Georgia members of the Professional Grounds Management Society. Since most firms in GGIA and MALTA indicated installation and maintenance functions in the same firm, questionnaires were directed to landscape maintenance personnel by way of a cover letter. The initial mailing was sent in November 1993, with follow-up mailing to non-respondents in December 1993 and January 1994.

Response data were grouped according to the size of landscape maintenance firm. Size classes were established based on the 1993 wholesale value of plant material purchased: small (< \$25K), medium (\$25K - \$100K), and large (> \$100K).

Approximately 38% of the firms (72 respondents) completed the survey. The Atlanta firms were 67% of the total firms surveyed and their response rate (38%) was the same percentage as the entire state of Georgia, indicating that the respondents were uniformly distributed and representative of the sample population. The responding firms were classified as private business (89%) or institution/government agency

(11%). Nearly 57% of the respondents were the owner of the firm surveyed. Thus, the results of this study reflect primarily the views of the decision-makers in the private sector of the landscape maintenance industry.

All of the landscape maintenance firms conducted business in Georgia and about 98% of their projects were in Georgia. This result indicates that landscape maintenance firms tend to conduct business where they are located.

The landscape maintenance industry in Georgia is primarily involved in outdoor maintenance projects. Essentially all of the firms (97%) conduct outdoor maintenance projects and of those, approximately 98% of their projects are outdoors. The large size firms had the highest percentage firms conducting indoor maintenance projects (50%, compared to 19% of small and 15% of medium size firms). The large firms appeared to be more diversified in the type of maintenance projects conducted compared to small or medium size firms. The results also suggest that only a small proportion of the medium size firms (15%) focus primarily on indoor maintenance projects.

The large landscape maintenance firms accounted for 26% of the respondents and approximately 72% of the revenue of the industry. A relatively small number of firms accounted for a large portion of the total industry revenue which was similar to the landscape installation and landscape architectural segments of the landscape/nursery industry. The annual gross receipts based on 1993 revenue ranged from \$3,000 to \$8M. The average revenue for large firms was approximately thirteen times that for small firms. Less than 9% of the industry revenue was contributed by small firms which accounted for 43% of the total number of firms.


The wholesale value of plant material purchased by the responding landscape maintenance firms totaled \$6M and equipment purchased totaled approximately \$2.5M. Based on this data, the value of plant material purchased by the entire landscape maintenance industry surveyed is estimated at about \$16M, which is about 45% of the value of plant material purchased by landscape installers. The lower plant purchases for

maintenance and not plant installation. Large firms accounted for 79% of the plant material purchases. The mean plant material purchase for large firms was about 37 times that for small and 6 times that for medium firms. Mean gross revenue for large firms was about thirteen times that of small firms. The mean plant material purchase as a percentage of mean revenue increased with firm size; small (4.0%), medium (8.2%), and large (10.9%) averaging about 9% for all firms combined. This result suggests that small firms focus primarily on maintenance activities while large firms have a second element of diversity not practiced by small firms, plant installation.

The source of plant material purchased by landscape maintenance firms is important to the development of grower marketing plans. All size firms purchased plants from growers, rewholesalers, garden centers or brokers. For all size firms, slightly more than half (52.5%) of the plant material was purchased direct from growers. The next source of plant material was rewholesalers, 35% of plant material. All size firms purchased the greatest percentage of plant material direct from growers. Large firms purchased a higher percentage of plant material (55.4 %) direct from growers than did small (37.5%) or medium (44%) firms. The purchase of plant material from rewholesalers did not vary greatly among the three firm sizes; small (36.6%), medium (40.0%), and large (33.8%). Small firms purchased a much higher percentage (14.5%) of their plant material from garden centers than did medium (5.5%) or large (2.8%) firms. The three firm sizes purchased about the same percentage of plant material from brokers, small (11.4%), medium (10.0%) and large (8.0%). Purchasing habits of landscape maintenance firms is similar to landscape installation firms. However, landscape maintenance firms buy a smaller percentage of plant material direct from growers (about 10 percentage points) and a higher percentage from rewholesalers (about 5 percentage points) and brokers (about 5 percentage points). The data from landscape installation and landscape maintenance firms suggests that the smaller volume plant purchases are more likely to be made from rewholesalers or brokers. Only the small firms purchased a sizeable portion of their plants (145 %) from garden centers. This result could be an indication that some garden centers are rewholesaling or, provide convenience and specialty items where price is not as important.

In summary, the landscape maintenance firms in Georgia handle primarily outdoor projects. The large firms appear to be more diversified in their activities than are small or medium size firms. A higher percentage of projects of large firms are indoors

(34%) compared to medium or small firms. Large firms also purchase more plant material and appear to have more plant installation activities than small or medium size firms. The mean plant purchases for landscape maintenance firms is less than for landscape installation firms and the maintenance firms purchase a higher percentage of their product from rewholesalers. As with landscape installers, the firms with smaller mean purchases rely more on the local rewholesalers or, in the case of small maintenance firms, the local garden center. One implication for nurserymen marketing to the landscape trade is that rewholesalers should be one of the outlets for plants if the grower is to reach the smaller landscape maintenance or installation firms.



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