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Not Your Father's Buying Group

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"I don't use the Internet. My dial-up modem is too slow," he told me. Do you think that person is toast in today's retail environment?

Surveying random garden centers at Cultivate'18 and The IGC Show, I found some retailers still think like they can only access the Internet with a modem. When asked about buying groups they said:

- "It costs too much to join."
- "I don't want to change my store name or be a franchisee."
- "I can't make the required long-term commitment."

These retailers have false, dated excuses. They haven't objectively evaluated the benefits of pooling resources with other independents. The buying groups these retailers referenced have dramatically changed over the past few

years, just like our modem example.

It's dangerous to be unaware of what you don't know. Obviously, this isn't a complete evaluation of all buying groups. My goal is to provoke you into investing a few hours in starting fresh and learning advantages of today's buying groups.

First, a deep, dark secret: Buying groups are no longer just volume purchasers. These groups offer economies to manufacturers and distributors no single buyer can match. When associating with a group it means the vendor receives marketing support and cheap access to multiple buyers at a single meeting or convention. It's a huge savings for the vendor while generating income for the group that supports their marketing and educational events—and provides lower pricing on purchases. Sharing best practices is an obvious benefit to group members.

True Value was considered the 800-pound gorilla of buying groups because of its breadth of product and services. Recently, they converted from a customer-owned co-op to a more traditional for-profit model with prior retailer/owners still owning part of the business. Today, you can buy without capital investment. Retail stores remain independent, no longer required to rebadge to a national name.

Jennifer Zerwer, business manager of True Value's Home and Garden Showplace, says while not offering traditional buying group profit sharing, they do offer volume and growth year-end rebates with an immense range of economically priced marketing and operational services.

Imagine a “fertilizer company” that has paid close to \$300 million in “Patronage Refunds” over a 50-year history. Today at Voluntary Purchasing Groups (VPG), the home of fertilome and other brands, you can be a “Patron” without cash up front. You’ll receive profit sharing in the form of cash and stock shares. Furthermore, VPG doesn’t solicit publicly traded retailers as customers. Todd Eggen, VP of Sales and Marketing, calls the company a “retailer-owned factory.” Their Patronage Refunds beat many traditional buying groups.

Master Nursery is a more traditional, yet still aggressive, buying group. During its more than 60-year history, the group built the Master Nursery brand—plus the organic brand, Bumper Crop. They’re seeing increasing volumes and success from a slightly lower number of members by reinforcing that whatever profits the retailer generates for the group come back to the retailer. When their members support the group’s vendors, deals are enhanced for everyone, lowering members’ costs.

Master Nursery publishes how close they are to reaching their volume rebates. Members stretch to reach those targets and their cash rewards. Additionally, the Master Nursery staff sometimes makes joint sales calls with approved vendors. This helps retailers understand the offers and helps vendors connect with individual retailer needs.

Look at the different buying group options currently available to you. Carefully evaluate the benefits of partnering your store with other like-minded independent retailers. If you haven’t yet joined a buying group or think they’re all alike, do your homework. Find out which group meshes with your retail philosophy. Do it today! **GP**

Bill would love to hear from you with questions, comments or ideas for future columns. Please contact him at wmccurry@mccurryassoc.com or (609) 688-1169.