STATE OF THE INDUSTRY REPORT

Sleek and Wiser

As construction picks up, the landscape industry should not forget its efforts in cost control, renovation, product efficiency, and customer education.

By Bruce F. Shank, executive editor

The ability of the golf and landscape industries to weather economic storms has been proven once again. Relatively unscathed and trimmed down to fighting weight, the landscape industries have begun modest growth. From most indicators, that growth should accelerate significantly beginning this fall and next spring.

In the simplest terms possible, the landscape industries do well in recession because two primary segments, golf and lawn care, are relatively independent of recession. A third segment, landscape construction, has bolstered its cash flow with maintenance and cut its labor and supply costs. The sod and nursery markets, however, have suffered in some areas.

The service industries, such as landscape maintenance, tend to fare well during recessions since they can cut back quickly and carry smaller overhead than manufacturing industries.

Parts of the landscape industry dependent upon government funding have dealt with frozen budgets at worst during the recession. Public demand for athletic areas has created strong support for funding.

Trends toward multi-family housing and contract landscape maintenance have shored up declines in single-family housing construction and added to the demand for outdoor recreation. Housing starts have now picked up significantly while these trends continue.

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Weeds Trees & Turf monthly market surveys have shown equipment purchases by landscape and golf managers were affected more than chemical purchases. Equipment buying has been limited to necessary replacement and types of equipment which reduce labor costs. Older equipment and an increasing awareness of equipment efficiency should combine to cause a major equipment buying spree in the next two years.

The war against labor costs will continue. Advances in herbicides and growth regulators are being accepted by landscape managers. As agricultural chemical companies seek to bolster income lost from a weak farm economy, they renew their interest and investment in the specialty markets.

Uncertainty in the agricultural markets, however, with the Payment in Kind (PIK) program and lagging exports, is causing a few agricultural companies to pull back in all areas. Nearly 40 percent of the nation's cropland has been removed from production under the PIK program.

Farm seed companies are taking the blow from the PIK program the hardest. Herbicide makers are warning farmers of the problems caused by neglecting weed control in fields that will be put back into production. Fertilizer manufacturers are also facing drops in sales.

Amidst the problems in agriculture, the landscape market stands out as a reliable, healthy customer.

The good future for the landscape and golf markets adds to stability. The U.S. Commerce Department says builders began on new houses and apartments this winter at the fastest pace since 1979. The National Golf Foundation reports nearly 350 golf courses are under construction. NGF reports 80 percent of these new courses are tied to real estate developments as compared to an overall average of 20 percent. Golf is being helped by the popularity

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of condominiums and recreation-minded communities.

In residential construction alone, there will be approximately 1.75 million starts in 1983. That not only means opportunity for landscape construction, but enough new maintenance business to support creation of another 220 lawn care companies averaging $250,000 per year at a market penetration of 20 percent.

It's very important to note that the majority of both new housing and golf course starts are in the South, the state of Texas especially. Northeastern and North Central starts are lagging behind.

Sod producers especially hope for recovery in construction as soon as possible. New technology gives them the ability to increase supply more rapidly than in the past. With netting, aggressive new Kentucky bluegrasses, and improved nutrition programs, sod growers can produce sod in under six months instead of a year. Modern harvesting equipment also reduces labor and adds speed.

A recent *Weeds Trees & Turf* survey indicates sod producers realize they can offer the latest varieties of turfgrass sooner than seeding contractors do. They are also working hard on cost control to increase profit margins rather than selling sod of cheaper, disease-prone turfgrasses. The American Sod Producers Association has made customer education of the benefits of improved turfgrasses a priority.

Seed growers continue their progress with Kentucky bluegrasses, perennial ryegrasses, and fine-bladed tall fescues. They have made significant steps toward disease resistance, lower nutrition requirements, and most recently, insect resistance.

Turfgrass selection efforts by the seed companies and organizations such as the USGA Green Section have made development of turfgrass varieties a world-wide project.

Winter overseeding is a market which helped seed growers while construction held sales down. Overseeding has great potential for golf-courses and other turf areas on the South.

Overseeding mixes for sports fields should grow in sales as well. Cultural practices, including overseeding, will need to improve in the 80's to enable fields to withstand increasing use levels. The more seed used in maintenance the less dependent seed growers will be on construction.

The nursery market, like sod and seed, has felt the pinch of lagging construction, northern nurseries

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more than southern. Like sod, it is on the verge of technology to cut costs with tissue culture. Nurserymen with this production capability may have the advantage in the future. Production of regional cultivars by large regional nurseries may begin to erode the market share held by single-state growers with national shipping.

A predicted 4 percent inflation rate and Treasurer Bill and certificates of deposit down to 8 percent will encourage investment in industrial parks, shopping centers, and multi-family housing. Mortgage rates between 12 and 13 percent will spur single-family housing and condominium sales. Again, the majority of the construction is taking place in the South and West. Nevertheless, other areas will get their share.

Landscape installation work for single homes should recover in the fall. Commercial project landscaping probably won't recover until 1984.

The importance of landscape renovation should continue to grow. Renovation is important to many segments of the golf and landscape market and consequently should be a primary marketing

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concept. Appropriate information on the aging of plant material should be distributed. Residential landscaping is beginning to move away from the foundation into the yard. Overgrown material abounds in all types of landscapes. There are ways landscapers and nurserymen can take to increase plant sales for existing property. Maintenance contractors should take the lead in recommending landscape renovation.

Renovation of golf courses to achieve maintenance efficiency, golfer challenge, and a more natural appearance is a vital part of the golf market. Water is one of the strongest reasons for golf course renovation. Reducing high maintenance areas to conserve water, labor costs, and chemical costs is justifiable. There is considerable disagreement on how to reduce high maintenance areas between golf course architects and superintendents, but gradually superintendents are getting away from wall-to-wall fairways.

The increasing demand for outdoor recreation and rising property values are giving renewed luster to the golf course. Housing around golf courses tends to attract buyers not as affected by economic problems as the general public. Without the golf course, the housing might not attract this type of buyer and the real estate developer would face greater risk. The value of the course therefore increases as does the importance of the superintendent caring for it. The fact that 80 percent of new course development is tied to real estate developments is a healthy sign for the game of golf. Once established, these courses are more financially secure than other courses.

Two areas have been wrought with price cutting in the past year more than before, lawn care and distributors. Profit margins in these two segments of the landscape market are lowering their attractiveness.

Without the golf course, housing developments might not attract the type of buyer free from economic woes.

Lawn care firms have always faced competitive zeal in cutting out a market share. Ethics in pricing is a major reason for the creation of the Professional Lawn Care Association of America. But, with less new business this year, price cutting was more intense. Also, contractors entering lawn care to bolster cash flow lost from construction, created more pressure for customers. One large lawn care company tried neighborhood pricing, offering lawn care to each homeowner in one neighborhood at one low price to increase business while cutting down on travel time. In many cases, other lawn care companies holding those accounts just matched their price.

If lawn care companies don't differentiate their services from their competitors, they face continued price cutting. However, a recent *Lawn Care Industry* magazine survey indicated an 88 percent customer retention rate. Stealing customers from competitors has not been very successful.

There has been considerable price cutting by equipment and chemical distributors recently. One medium-size distributor told *Weeds Trees & Turf* prices are down to cost in some bids for government and industrial customers. The problem is more with chemicals than equipment. In the final analysis, the result is less profit, less service.

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The market area considered by many to have new potential today is athletic fields and recreational areas. The demand for recreational facilities is clearly evident. What is not clear is how government agencies (schools and parks) will respond to the demand. The increase of special park districts operated by trained managers and supported by taxpayers is a good sign. Existing facilities are getting worn out. Who consults parks and schools on field repair measures is critical. Who maintains these fields and by what standards are also important. The potential is tremendous, but in the wrong hands it might never materialize.

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Just to know construction is returning should be good enough news. To rely on construction alone to solve all our problems is a definite mistake.

The landscape markets need to continue their work toward cost control, renovation, differentiating service, new product efficiency, and customer education.

A critical part of productivity is good management. Investments in management training for supervisors pays off with better organization, fewer mistakes and greater productivity.

Marketing programs should be reviewed for effectiveness. Selling is a discipline equal in importance to technical ability. Ability needs to be communicated to potential customers. **WTT**