

LAWN CARE INDUSTRY

TruGreen/ChemLawn deal widens gap between the biggest and the rest



ChemLawn, Columbus, Ohio, becomes part of SVMQ.

ServiceMaster buys huge chunk of pro lawn care market; thinks baby boomers will have more \$\$\$ than time.

■ ServiceMaster Quality Service Network (SVMQ), Memphis, Tenn., is now the nation's professional lawn care leader. It happened May 20th with its purchase

of the operating assets of ChemLawn. The cash purchase price was \$50 million plus the book value of net tangible assets of \$54 million. TruGreen signed a letter of intent in late April, about two months after Ecolab put ChemLawn up for sale.

The SVMQ consumer service network, which includes TruGreen, has grown to:

- more than 3,000 cleaning franchises,
- the Terminix termite and pest control services,
- almost 500 maid operations, and
- American Home Shield with its 40

percent share of the U.S. market in home appliance warranty and repair.

C. William Pollard, chairman of ServiceMaster, noted that after an initial transition period, the two companies will be combined into one operation. Pollard added people from both companies would be merged into the single larger company.

"We've moved from being No. 3 to No. 2," wryly observes Patrick Norton. Norton's Barefoot Grass Lawn Service recorded sales of just more than \$50 million in 1991. It trailed just ChemLawn and TruGreen in sales.

Big is bigger now—There will be an even bigger gap between the new lawn care market leader and the rest of the industry. ChemLawn had net sales of \$355 million in 1991, and TruGreen about \$92 million.

"They (ServiceMaster) were about the only ones in the industry able to bite off that much," comments Bob Andrews, president of the Professional Lawn Care Association of America.

A TruGreen/ChemLawn combination will have 20 to 25 percent of the residential lawn care market which a 1991 *Lawn Care Industry* magazine survey estimated at \$2.1 billion. (ChemLawn historically has said it has a bigger share of the residential market.)

Together, TruGreen and ChemLawn claimed about 1.5 million customers in 1991.

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Both companies are in most lawn care markets already. ChemLawn operates in 45 states and TruGreen in 23.

"I don't see it (the purchase) as having a tremendous impact, not yet anyway," says Andrews.

Adds Barefoot's Norton: "If someone had come into the industry from the outside then, I think, we'd see a bigger impact."

SVMQ's growing presence in diverse consumer service markets are well documented. To date, it's been enviably successful too.

ServiceMaster keeps growing—In 1990, SVMQ increased its ante in consumer services by buying TruGreen and a network of pest control operations from Chicago-based Waste Management (WM retains 22 percent ownership). That deal was pegged at about \$180 million, by industry insiders.

Later that year, in a press conference, SVMQ President Carlos Cantu said ServiceMaster operates on the premise that "people are time-poor and money-rich, and they need the services we (SM) will be offering the marketplace."

He said that 40 percent of the U.S. population was born between 1946 and 1964. This represents 53 million households, with a median income of about \$50,000



TruGreen regional office, Columbus, Ohio: growing stronger.

and a median house value of about \$105,000. SVMQ's research indicates 60 percent of this target market is made up of two-income families.

Also, SVMQ, reportedly, was heartened by TruGreen's operation in 1991, the one full season it owned it.

"It may take two or three years for ServiceMaster to convert the lawn care over into a single operation," muses indus-

try consultant Ed Wandtke of Wandtke & Associates, Inc., Columbus, Ohio.

"The real question may be, can the tail (TruGreen) wag the dog (ChemLawn)?" he wonders.

Adds John Buechner, of Lawn Doctor in Matawan, N.J., "I think the acquisition is an interesting project, but only time will tell how it affects the industry."

—Ron Hall

No more ChemLawn to kick around (or imitate)?

■ ChemLawn, a name synonymous with professional lawn care, is a name in eclipse.

What seemed inconceivable a few years ago may happen. ChemLawn may cease to be—at least as ChemLawn.

Late this past winter, Ecolab, owner of ChemLawn since 1987, put the "For Sale" sign on the company that laid the foundation for a \$2 billion-plus industry. ChemLawn: the most closely watched, copied, competed against and, increasingly, condemned company in the industry.

TruGreen's pending purchase of ChemLawn raises questions that neither TruGreen nor ChemLawn officials would discuss, pending completion of the sale. Among them:

- How will TruGreen absorb the three-times larger ChemLawn? Is the ChemLawn name itself an asset or a liability? Or both?
- Will ServiceMaster Quality Service Network, of which TruGreen is a part, continue to buy lawn care companies to expand its share of the professional lawn application market?
- What happens to ChemLawn's new and heavily promoted EcoScape full-service landscape care?
- How will TruGreen deal with competing sister operations, specifically franchises? For the last eight years, ServiceMaster Lawn Care has been growing a network of franchises (more than \$4 million in sales in 1988). Many of them compete against TruGreen branches and/or ChemLawn branches or franchises. In 1991 TruGreen began buying and folding in SM franchises.

"If they're in competition and want to sell their business, they don't have to go shopping," a source close to SM tells

LANDSCAPE MANAGEMENT.

- Whose management and service pricing philosophies—ChemLawn's or TruGreen's—will emerge? TruGreen, fairly or not, has typically been perceived by competitors at pricing at the lower end of the spectrum.
- Will TruGreen/ChemLawn operations use the herbicide 2,4-D? ChemLawn hasn't for several years. (Several other large companies have quietly quit using 2,4-D also.) TruGreen reportedly does.
- Will TruGreen/ChemLawn work with the rest of the industry—which, broken into individual parts, are overwhelmingly gnaw-sized compared to the ServiceMaster operations?

—R.H.