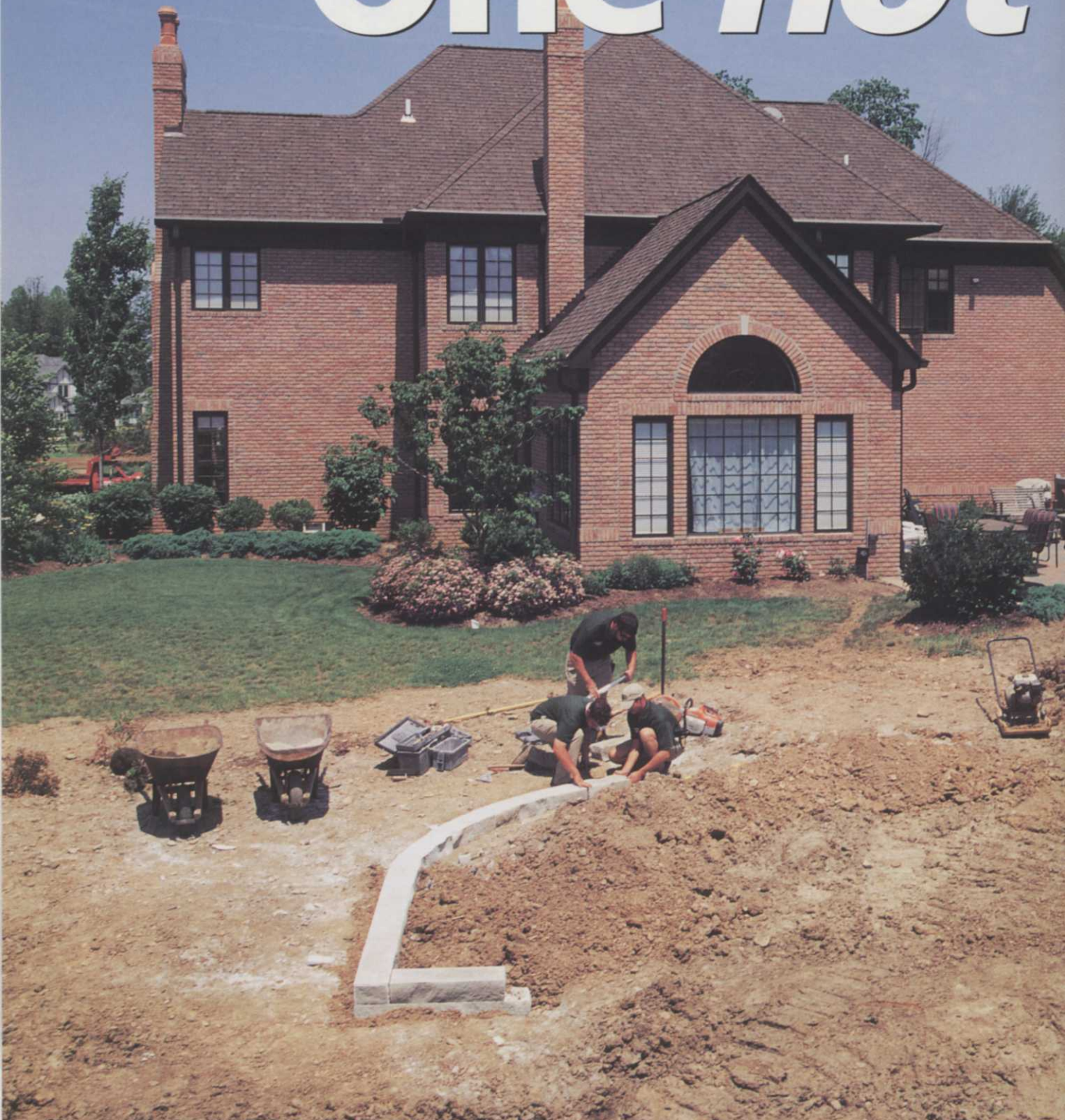


One *hot*



economy

PART 1:

Great growth, but for how long?

BY SUSAN GIBSON AND JASON STAHL

John Wheeler can forecast his landscape maintenance contracts through the year's end, but it's the design/build side that is harder to forecast. The president of Wheeler Landscaping Inc. in Chagrin Falls, OH, has a variety of design/build jobs lined up now but wonders how long that trend will last, especially if the economy "cools" as the experts say it will.

"We've budgeted an increase in our design/build work this year, but most of the work comes not that far in advance. We had a record month in April but will it hold out?" he asks.

That's the question on many people's minds as they juggle two conflicting trends: managing today's strong demand and dealing with uncertain prospects about next year's business. Economists tell us that the Federal Reserve's six interest rate hikes, the stock market's volatility and some rising prices in certain sectors are starting to have that "cooling" effect. The question is, how much and how long will it last?

Certain economic trends seem to point to a slight slowdown, but what will that mean for the landscape and lawn care industry? Currently, few industry professionals see any signs of a slowdown.

"It's not here yet," says Neil Thelen, president of Landmark Landscapes in Norcross, GA. "Landscape normally is at the back end of a slowdown. We could see something in about 12 months."

The next year isn't looking bad for Mike McCoy, president of McCoy Landscape Services in Marion, OH, who says the strong economy has made business easy. He reports that most of his contracts came unsolicited, boosting the firm over its previous goals.

Right now, the problem isn't so much a slowdown as it is managing the incredible growth this industry has seen during the last nine years. The profile of the Green Industry in 2000 is one of untapped opportunities for more business, labor shortages that continue to plague landscape managers and a host of new issues, regulations and market developments that may make life even more interesting in the next few years.

Year in review:

Full steam ahead

Last year, landscape managers predicted an average of 15.5% growth for 1999. Our research this year (see "How we got this information," page 36) shows even more optimism, with expectations of a mean revenue increase of 18% for 2000.

Where are they getting this growth? Some landscapers and lawn care operators are expanding via franchises while others are opening up new branches, up-selling existing customers, finding new clients on the Internet and squeezing more profits through greater efficiencies.

Nevertheless, there are several factors that make life difficult today or hold the promise of having a major effect on tomorrow's business.

Down and dirty competition

Low-ball competition keeps maintenance prices (and profits) low, especially in the head-to-head residential markets. Few contractors voluntarily get into this price-war situation and several, in fact, are planning to boost their prices this year.

"We're shifting to a new pricing structure and are looking to grow

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