



## PART 2:

# What's on the horizon?

### A 'cooling' economy?

How are today's leading indicators expected to impact the Green Industry? After a record six increases of the interest rate, signs show that the Federal Reserve's policies may be working, gradually slowing an unheard-of rate of growth near 7%. Here's what happened recently:

- ▶ We're getting richer, but at a slower rate than 1999, says the Fed. First quarter household net worth grew only 2% in the first quarter of 2000, down from 8.1% in the last quarter of 1999.
- ▶ Unemployment rises only marginally — not enough to affect hiring opportunities in our industry. This may also be temporary.
- ▶ Housing starts dipped slightly earlier this year, which may or may not continue.
- ▶ Home mortgage demand fell by 56% in early 2000 and business load demand fell 25% for the same period. Banks are tightening lending standards.
- ▶ April reports show consumer spending still strong, but at the slowest rate since July 1999.

The Fed's actions typically take six months to filter

through the economy, so this is the big question mark. Growth may be slowing to the 3.5% or 4% the Fed thinks is sustainable, down from the 7% rate it reached in the fourth quarter of 1999.

### Still a toss-up

Clearly, economic forecasts are still a toss-up. Economists may argue about the trends they see, but several trends may help you plan for late 2000 and into next year. Watch:

- **Interest rates, which are keyed to inflation.** Despite jumps in prices for gasoline, food and wages, inflation is steady due to drops in other prices. If inflation steadies, expect interest rate hikes to stop.
- **Housing starts.** Everyone expects higher interest rates to slow corporate and consumer

borrowing, which in turn will slow investment and housing starts. How will this affect you? Some contractors feel that this will slow their landscape design/build business, but others think it will merely shift dollars into landscape renovation as clients stay put.

- **Disposable income.** This is money consumers spend on big-ticket items — like landscapes, maintenance and special services. High rates of this generally means good news.
- **Unemployment rate.** Don't expect this to change for years. While good economic health continues, labor will be tight. Your competitors include other landscapers and anyone who offers higher wages, more benefits, easier work and a more pleasant organization.

*continued on page 42*

### Data at a glance

Average organization's approximate revenues for 1999 were \$984,000.

Average organization's annual operating budget for 1999 was \$495,000.

Average customer mix is 59.2% residential, 37.2% commercial, 3.7% other.

continued from page 40

● **Productivity rate.** If you're more profitable with the same operation, chances are you're more productive. But are you getting the maximum levels of productivity? We suspect this industry has far to go before reaching those levels.

## Landscape managers look ahead

Bozzuto Landscaping is focused on community housing projects in Maryland — on the front end of the housing market. Tom Davis hasn't seen any movement either way, yet. "Our parent company, which is a real estate developer, has 16 communities in construction and as many in development. It's too early for any slowdown to trickle down to us. And if new homes slow down, apartments may pick up."

The recent difficulties of regulation and labor encouraged both Paul Harder and Michael Kowalchuk to sell their businesses. Others are restructuring their management, instituting new and advanced operating software or working hard to develop employees.

Neil Thelen's investment in six-people Isuzu trucks and the switch to six-person crews is an effort to squeeze more efficiency from his organization while also developing his people. "Each crew has a senior and

junior foreman because one person can't manage six people," he says. "The younger manager can then get trained and eventually move into a senior position."

Dwight Hughes also remodeled his operations, using a new design of truck to carry people, equipment and plants. Hughes constantly searches for more efficiency and looks to equipment, rather than electronics, for solutions.

"Our industry is caught up in a trend of more computing, but computers are just a tool — not the answer," he says. "You have to ask, who's making the money for you? Is it a crew of workers pushing a B&B tree by hand or your computer?"

## Keep the momentum coming!

As usual, fortune telling is an art few of us have. Experienced insiders like Rick Randall, CEO of Randall & Blake Inc., Littleton, CO, have business spread over several states. He sees some clouds on the horizon.

"It appears there is sufficient momentum to sustain adequate contracting opportunities at least through the first six months of 2001.

After that, we do see some softening brought about by higher interest rates," he explains. "The higher rates have begun to slow down residential development,



**John Wheeler: Will economy slow?**

## What's your best strategy?

It pays to be prepared for any eventuality, say several landscape managers. Here are their ideas:

► **Landscape maintenance.** This can be a constant battle to eke out the profits you need because of low-balling. Try to balance the investment needed to get efficient equipment with money to pay a competitive wage and keep good employees. Some vow to raise their prices in coming months, both to accommodate fuel and other price increases and to position their firms above the "price-war" fray.

► **Landscape design/installation.** This is a more complex business to manage because it's hard to assure a manageable flow of projects, price goods and services for profit, invest in efficient equipment and organize the work for productivity. A clear niche, steady pricing, quality work, strong customer contact and investment in appropriate equipment may make a difference this year.

► **Chemical lawn care.** LCOs still grapple with the issues of low-balling, large competitors "churning" business, managing crews and routes for maximum productivity and balancing a simple and profitable mix of services. If you find the self-starters to handle your routes, do everything to keep them. Long-time players insist a solid treatment program, attentive customer service and add-on services will continue to make this segment profitable.

► **Irrigation maintenance/installation.** Landscapers are finding plenty of opportunity to offer irrigation services. The key to success depends on thorough knowledge, the ability to make this segment profitable and the capability of servicing all your potential customers.

► **Customers.** Both residential and commercial customers are impatient, spoiled and sometimes annoying. Develop a strategy to manage your customers' expectations and weed out those who are more trouble than they are worth.

► **Client mix.** Diversify. If you have only a few main customers, it's time to spread out and get others. If you're in a well-defined niche, expand within it.

which will slowly begin to pull down the rest of the economy."

John Wheeler also has some misgivings about the prospects for his design/build division: "It's too early to celebrate (for

this year). It's a good year now and we budgeted for an increase in business, but higher interest rates may slow down business. We hope the momentum keeps coming." **LM**