

# Weather any economic storm

**Whether this year's economy soars or slumps, be prepared to profit**



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**A**sk around about the possibility of a recession and you'll get differing answers. But ask around about what Green Industry companies should do to get ready for an economic downturn and you'll find surprising unanimity.

#### Years of experience

Stephen Hillenmeyer, president of Hillenmeyer Nurseries, Lexington, KY, surveys the economy from a position of long corporate and family experience. He is the fifth generation of Hillenmeyers to manage a company that dates back to 1841. The business expects gross revenues of \$7 million this year, and employs between 100 and 150 depending on the season.

While Hillenmeyer doesn't see a recession right now, he feels landscape and allied companies should always remain alert to the possibility of business downturns.

"Fortunately, we're not seeing big swings in our business right now," Hillenmeyer says. "Some of our customers cut

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back a little bit last year on our services, but this year their appetite is rebounding and, if anything, they're ordering more from us.

"One of our commercial customers who cut back apparently caught flak from their employees, who complained that their grounds no longer looked as good as they tradi-

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— Stephen Hillenmeyer

tionally had. They have resumed ordering substantial services with us."

The lack of big swings in profits is fine with Hillenmeyer. "We like to stay on a tried and steady course," he says. "We have been just moving along, growing a little bit at a time, and we haven't been chasing huge growth every year.

"We prefer modest and steady increases of five, six and

ten percent a year if possible."

After a 160 years, Hillenmeyer Nurseries has learned to deal with a fluctuating economy. "I think we have had enough experience to have learned that times are not always going to be easy," he says. "So we try to run the operation as lean and mean as we can all the time. If we do it that way, we don't have to cut back when times get slow."

One typical move many companies make to counter an economic slowdown is to let employees go. Hillenmeyer does just the opposite: He invests even more in his existing good people.

"Our industry is all about people," he says. "And if you don't have the quality people to maintain the level of what you're selling out there, it can come back to haunt you. You lose a few people and all of a sudden you wonder how you're going to perform quality work. And then maybe any new people that you bring in don't have the culture you just lost.

"We try to keep in mind that the good people already have jobs, so the likelihood that I'm going to get rid of 'x' amount of people and replace them with really good people is very small. It's just not realistic. Those good ones are already gone, and we'd just be trading down with new people.

"If we do invest in our peo-



Brothers Chris (left) and Steve Hillenmeyer believe the key to handling a recession well is to operate efficiently at all times.

ple, hopefully we'll reduce our turnover and that will help us control our costs. Therefore, one way to prepare for a recession is to cut down turnover."

Although Hillenmeyer shoots for 5 to 6% growth in the worst times and 10%-plus in the best times, he admits that sometimes it's been 5 to 6% in the best times and that the company has even lost money in the worst times.

"That's why we've raised our business performance standard," he says. "So my number one recommendation for preparing for a recession is to clean up your act now in terms of running your operations efficiently and well."

#### **Diversification is key**

We heard similar observations from John Bass of Lawn Master Inc. in West Jordan, UT, a U.S. Lawns franchise with annual revenues of \$400,000 and a maximum workforce of 25 people.

Like Hillenmeyer, Bass isn't feeling the effects of a recession on his business right now, mainly because his business is diversified into three areas: chemical applications, Christmas decorations and some landscape maintenance.

Bass finds that his commercial customers, regardless of the economy, still want their properties to look good. "They have to keep up appearances," Bass

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says. "I heard a speaker at a recent conference say that as apartment houses and office buildings get vacancies they cannot fill, they tend to spend more money getting the property to look nice than when they're totally filled up. Oddly, when their space is totally full, they tend to cut back."

Nonetheless, Bass does not believe that his business is bul-

letproof. "It will be interesting to see how our spraying business does, because that business is based on expendable income from residential customers."

Already, Bass has seen one classic sign of recession — price increases. "Our utility bills went up about \$1,200 annualized, which is \$1,200 coming out of my budget now that is not replaceable," he says. If his

own utility bills have gone up, the same will happen to his customers, possibly affecting their ability/willingness to buy his services.

The rise in Bass's utility bills appears to be a spinoff from the California power crisis.

"We're located in the West," he says. "In addition to our utility costs, fertilizer prices have almost doubled from last year because it's more profitable for suppliers to sell natural gas instead of use it to make fertilizer. By mid-summer, we may have availability problems."

**Good cuts, bad cuts**

With 18 years of business experience, Bass has some clear ideas about how to recession-proof a Green Industry business. "One thing to do is evaluate your cash flow to see how a decrease in sales would affect you," he says. "Then, if an economic downturn happens, you know where to make good cuts."

The distinction between good cuts and bad cuts is important to Bass. "A bad cut will make it harder for you to recover afterward. A good cut may save you some money and won't cripple you in the future. You've also got to push sales harder than ever.

"If you have excess equipment like a truck or tank or mowers, that's okay in normal times. Sometimes we keep those for spares. But if you wait and the economy declines,

there will be no market in which to sell them. So you may want to sell those right away."

Bass doesn't believe you should shed employees like extra equipment, though, even if the purpose of doing so is to enable them to find other jobs while the labor market is still decent.

"In theory, that would be a kind thing to do," Bass says. "But you also don't want to cut jobs prematurely. Given how much you have invested in your employees, it's something you don't want to do until you have to."

An alternative to laying people off is cutting back on hours. "If the need arises, go to the whole group and explain to them that things are down and you don't have work for everybody. Then ask, 'Rather than laying somebody off, will everyone agree to work 36 hours instead of 40?'"

Overall, Bass isn't worried. He believes that by taking reasonable precautions, he will be able to ride out a potential recession. He does have a warning, though: "I think that poorly managed businesses will probably fail in a serious recession. On the other hand, the companies that are ready will actually come out stronger after any recession." **LJM**

— The author is a contributing editor based in Mendham, N.J.

# 3 recession-proofing steps

John Bass, owner of Lawn Master Inc., West Jordan, UT, thinks recession proofing your business starts with early preparation. "The fundamental thing is to get ready so that you're not a victim," he says. Here are some specific examples of what he means:

- If you need credit, get it now. Credit may not be available if a recession develops and gets worse.
- Get your house in order. That way, if you're going to borrow money, you can do it now while interest rates are low.
- Raise prices if you must, but do it judiciously.

"When cost increases come down the pike, you have to pass them on," Bass says. "If you take those increases from your profits, you'll soon be out of business. We're doing some market research right now. Based on fertilizer, we already know we *should* raise our prices 5%, but will the market bear that? Maybe we can only get half of that increase, but we have to do something."

—JB