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Still going

PART ONE:

What a difference a year makes!

BY LANDSCAPE
MANAGEMENT'S STAFF

Last summer, the Federal Reserve Board hoped its six interest rate hikes would cool a too-hot economy. It worked. We've had a dramatic reversal in the economy, and now the Fed keeps dropping rates to spur it along. The good news is that the landscape industry keeps going strong.

What do we know for sure about the economy? Thousands of businesses took a financial beating in the market (many Internet start-ups vanishing forever), and millions of investors saw their portfolios shrink almost overnight. The fallout continues to affect the economy in several ways:

- Rate of the economic growth immediately fell from over 5% in 2000 to a sickly .7% this spring — the weakest growth in eight years.
- Large corporations lost much of their

strong

value in the market's tumble, and immediately made layoffs, trimmed inventories and postponed major investments (including construction). Construction's outlook is questionable.

■ The Federal Reserve's rate cuts spur mortgage business. Many investors exit the market and invest in real estate.

■ Although 2001 is the first year since 1945 that Americans' net worth drops, consumer spending continues strong, consumer confidence swings up and down, home sales and prices escalate through the summer.

■ Service industries, previously the "golden child" of the U.S. economy, show a slight weakening for the first time since World War II. Service business owners (including Green Industry players) discover labor costs a little more, fuel and energy prices

Landscape services grew at a healthy pace in our survey, ranging from 18% growth for irrigation services to a 47% increase in chemical service growth.

bite into profits and problems with payables begin to surface.

■ It's still pretty easy being green, say many landscape professionals. While economists describe the economic outlook as "cloudy" and "sluggish," the same cannot be said for our industry. In fact, the opposite is true:

■ Growth of customers, revenues and profits expanded strongly.

■ Most landscape maintenance and chemical lawn care services continue to look strong and profitable.

■ Landscape services grew at a healthy pace in our survey, rang-

ing from 18% growth for irrigation services to a 47% increase in chemical service growth.

■ Landscape installation and other services tied to residential or commercial construction are more "iffy," depending on the market, but still strong, with an average 23% growth in that segment.

■ Layoffs have improved the recruiting picture in many markets, but labor is still a challenge.

■ Economic weakness seems to have settled in some markets, and not at all in others. **LM**

PART TWO:

Challenge: Handling Growth

It's been a banner year for professional landscape management. We interviewed hundreds of landscape managers to see how their year has progressed and how they view next year's business (see note below). Here's what they said:

■ Business was up for 76.6% and 72.4% said they expected revenues to increase, an average rise of 18%.

■ Prices, too, will go up an average of 8% for 66.3% of respondents.

■ At least 64.4% of respondents reported they have more backlog or customers this year than in 2000.

■ Chemical services grew 47%, maintenance business grew 30%, tree care services grew 28%, design/installation and specialty services grew 23% and irrigation services grew 18%.

■ While landscape design/installation grew fastest last year, only 33%

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Note: The statistics in this report were derived from a proprietary Landscape Management mail and telephone reader survey, as well as other industry data reported by associations and organizations. This survey was mailed to a random sample of readers in June and also given by telephone to a random selection of readers and industry firms in July. Both surveys, which generated a 29.5% response rate, was tabulated according to standard statistical analysis by Penn and Associates, an independent market research firm in Cleveland, OH.

The survey represented 72% landscape contractors (providing landscape design/build and/or maintenance), 27% lawn care service companies, 9% grounds care, 5% custom chemical applicators and 5% irrigation contractors (some contractors perform more than one service). They represent a sampling from many markets across the country.

*The makeup of this year's study may be somewhat different from last year's group, reflected in slightly adjusted results.

This group represents a wide range of revenues:

Annual revenue	% of respondents
Entry-level < \$250,000	30.1%
Mid-level \$250,000 - \$1M	36.7%
Established \$1 M or more	33.1%

Current customer mix of this group is 57% residential, 38% commercial, 4% government and 1% other. These organizations have existed for an average of 18 years.

reported it grew fastest this year; 45% said their maintenance services grew faster.

■ Respondents (64%) said it was harder to recruit employees this year than in 2000, despite pockets of layoffs.

■ Fuel and energy price spikes have hurt. Fuel costs took a hefty 9% chunk of our respondents' typical annual operating budget, compared a fraction of the 4.2% "other" costs last year.

These are not the statistics of an industry anywhere near a recession. But, the stats also tell us that some indicators may foretell upcoming changes:

■ A full 62.5% said it was harder to compete this year than in 2000, and 64.8% agreed it was harder to be profitable in 2001.



Randy Newhard

■ Profit margins for some services have slipped. Scarcity and cost of plants,

higher labor and fuel costs and competition may have helped to squeeze margins.

■ Financing and cash flow are worse in 2001 for 58.6% of respondents.

■ Another 59.4% reported their customers are getting more picky.

■ Top challenges continue to focus on five issues: labor availability (60%), managing growth (48.4%), developing supervisors and foremen (47.7%), low-ball competition (45.8%) and financing or cash flow (45.2%).

Handling the demand

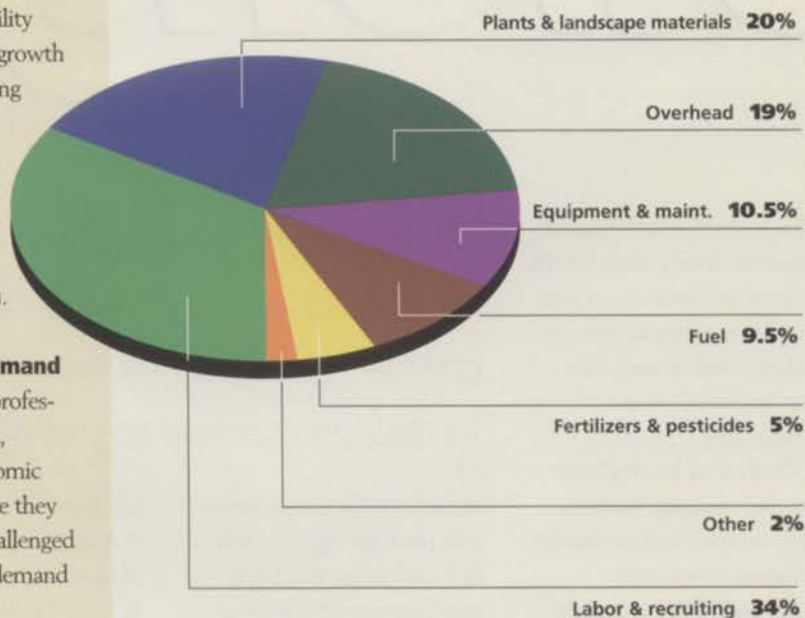
Many landscape professionals have asked, "What's the economic problem?" because they continue to be challenged with very strong demand for their services.

J. Landon Reeve, president of Chapel Valley Landscape, MD, sums it up: "This year will be good for our landscape business and our commercial market is strong. We are getting a positive amount of business now."

"The newspapers make it seem like a severe depression, but in Arizona, the market is clicking along," notes Richard Underwood, vice president/gen-

Operation Budget (as a percent of expenses)

Industry average as derived from typical 2001 operating budget



eral manager of AAA Landscape, Tucson, AZ.

"Design/build and maintenance are both great and interest rates are low, so people are doing projects," he adds. "They are also using the money they would have invested in the stock market and putting it into real estate instead."

Data from the National Association of Realtors show that home prices are not only climbing during a "sluggish" economy, but actually accelerating. The median price of existing homes rose 6.4% last spring. Clearly, many Americans prefer to reinvest in real estate, which implies

more investment in landscape.

Even in smaller markets, most landscape professionals report a banner year. "Demand is higher, (employee) retention is normal, new sales are up and there's some consolidation," notes Jack Robertson, president of Robertson Lawn Care, Springfield, IL.

"High end and specialty work continues in high demand," reports Larry Iorri, president of Down to Earth Inc., Wilmington, DE

"Our industry is doing well here," says Randy Newhard, owner and president of New Way Landscape & Tree Services,

Average hourly rates

See total breakdown at www.landscapigroup.net:

Installation / Build **\$ 39.52**

Mowing **\$ 36.96**



Regulation to watch: Ozone alert, ergonomics breather

San Diego. "There's a lot of housing being built, plus new commercial and industrial buildings. California, especially San Diego, is the last one into a recession and the last one out."

Servicing the demand remains a challenge. "Our top challenge is managing growth," comments David Brown, general manager of LAND Expressions, Mead, WA. "We've opened up in markets outside our local area and have been asked to do more and more work in those locations. We're thinking of opening a satellite office."

"This has been a good year for me," says Neil Fievet, president of Nitro-Green, Hayden, AL. "I anticipate ending the year with around a 30% increase in overall sales. Business (old and new) has been so good that I had to stop all my marketing efforts."

Pockets of trouble

Despite strong demand, some markets are showing weakness, especially those with high-tech or manufacturing firms laying off people, or ones with slowing construction. National data show consumer spending remains strong, construction and housing are holding their own and layoffs are only affecting a portion of the population. There are signs, however, of changes.

John Georgio, president of Gothic Landscaping, Valencia, CA, notes, "We are concerned about the slowdown but still

Time moves quickly and that's why 2005 isn't that far away for landscape professionals in the Houston-Galveston area of Texas. The year 2005 is when a ban on gasoline-powered lawn and garden equipment use from 6 a.m. to 12 p.m. will take effect unless alternative ozone-reducing measures are created.

The Texas Nursery & Landscape Association (TNLA), plus other businesses in the area, are working together to find solutions such as mandating the use of spill-proof gasoline cans. Eddy Edmondson, president/CEO of TNLA, isn't wasting any time addressing the matter. "We have until 2002 to come up with a plan, but in our mind we start working on it now," he says.

A spreading concern?

Other areas are seeing smog reduction plans in the near future. Phoenix, AZ is studying options for prohibiting the use of gasoline-powered lawn and garden equipment.

In Boulder, CO, an environmental advisory board recently asked the city's environmental affairs staff to stop city crews and subcontractors from using leaf blowers.

And Vancouver city council recently decided to ban gas-powered leaf blowers in the city by 2004.

have a high backlog of business."

According to Paul Mondri, general manager of Mariani Landscape, Lake Bluff, IL, "We are a little concerned and there has been a downturn in our slower months, but he haven't felt any negatives yet this spring. We still have a backlog of work."

A slowdown of residential and commercial construction may not yet be problematic, but some contractors see potential

problems. "With a construction slowdown throughout the country, there is pricing pressure caused by the increase in competition," explains Al Honigblum, president, Grounds Control, San Antonio, TX. "But we are going to continue to make acquisitions and expect 10% growth in maintenance work."

"The construction market will find its bottom this year," forecasts Scott McGilvray, presi-

"The bottom line is that this was an issue many thought would go away or wouldn't percolate anymore," says Robin Pendergrast. "In Vancouver, an ordinance got pulled out so fast that it's happening in other cities all over the U.S. When somebody as big as Vancouver jumps on the bandwagon, it's bad."

Ergonomics break

The Green Industry breathed a sigh of relief when the Occupational Safety and Health Administration's (OSHA) proposed ergonomic standard was defeated last March.

But the Department of Labor (DOL) will soon announce its plan for introducing a new ergonomics rule. Three ergonomic hearings were held around the country in July and August to provide the DOL with additional input on what constitutes an ergonomic injury, and what type of standard might be pursued. The American Nursery and Landscape Association fought vigorously against the previously proposed ergonomic standard because members argued that it would have unfairly forced Green Industry business owners into implementing thousands of dollars of workstation improvements.

— Jason Stahl / Managing Editor

dent of Jensen Landscape, Cupertino, CA.

"I think the industry will remain healthy but right now, there is definitely a bump in the road," says Rick Randall, president of Randall & Blake Inc., Littleton, CO. "In our area, there are several contractors who have gone bankrupt. We think commercial building is maxed out but will be back up eventually. Residential building

has peaked too but will be leveling off—that will put more pressure on us.”

Wayne Richards, president of Cagwin & Dorward, Novato, CA, explains, “The slowdown is affecting some sectors. We’re seeing some downsizing in Sili-

con Valley. We’re concerned about it and not seeing huge growth. It’s kind of flat, with the exception of new businesses we’ve started.”

‘A little bit less’

Areas of slower sales, intense

price competition and surprising labor and fuel costs are starting to make profitability a harder to maintain.

“We see negative conditions, with housing starts slowing,” reports Alan King, chief estimator of Park Landscape, Santa Ana,

CA. “They are down in our Las Vegas office but up in our Sacramento office.”

Underwood sees a similar pattern: “At the Arizona home builder show, they said custom residential is softening, but not

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TABLE 1. — DIVERSE INDUSTRY, GREAT GROWTH

Industry averages are good but a closer look at small, medium and large operations gives a better picture of this year's growth and challenges.

	Industry Average	Entry-level (<\$250,000)	Mid-level (\$250,000 - \$1 M)	Established (>\$1 M)
Average years in business	18	12.5	18	24
Revenues rising	72.4%	62.0%	72.6%	84.6%
Revenues holding	21.0%	25.8%	23.2%	10.7%
Average % of revenue rise	18%	24%	14.5%	18%
Prices rising	66.3 %	62.0%	73.2%	71.6%
Prices holding	31.7%	36.2%	26.7%	25.0%
Average % of price increase	8%	10%	7.5%	5.5%
Residential customer %	57%	72.5%	60.0%	35.5%
Commercial customer %	38%	26.5%	37.5%	55.5%
Government clients %	4.0%	1.0%	2.0%	5.0%
Other clients%	1.0%	0.0%	0.0%	4.0%
Residential profit margin	28%	39%	24%	18.5%
Commercial profit margin	23%	38.5%	20%	13.5%
Specialty services margin	30%	50.5%	39%	14.5%
Landscape maintenance margin	26%	47%	18.5%	14.5%
Custom chemical applications margin	26%	44.5%	25.5%	17%
Landscape design/install margin	24%	38.5%	22.5%	14.5%
Irrigation services margin	23%	40%	24%	16%
Tree care margin	23%	44.5%	34%	15%
# Full-time employees	34	3	7	131.5
# Part-time employees	13	2	6	41.5
# Family members employed	3	2	2	6.5
# Workers of foreign origin	36	5.5	7	85.5
Average rate, best supervisor	\$16.01/hour	\$14.20	\$15.03	\$18.56
Average rate, entry-level crew	\$8.24/hour	\$8.45	\$8.18	\$8.01

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drastically. It's more of a market correction and it is normal business, not a recession."

"Our costs are up and pricing on competitive contracts remains low, but we don't see any effects of the economy in this area," says Jud Griggs, vice president of operations, Smallwood Design Group/Smallwood Landscape, Naples, FL. "We see no changes in demand for 2002 but we're constantly



PHOTO COURTESY: POST PROPERTIES

looking for ways to reduce costs and work more efficiently."

"We are having a slower year, with consumer sales slower," notes Tom Hofer, president of Spring-Green Corp., Plainfield, IL. "There is just not an exuberance out there. Altogether, we don't expect a strong year."

Scott Frith, director of marketing for Lawn Doctor Inc., Holmdel, NJ, says it's been a more challenging year in business. "There is less growth in new sales but I see the market with no official recession and some bounce-back being indicated already."

"REIT (real estate investment trust) stocks are down on commercial places like malls so they end up cutting back," explains Marc Marcus, president of CentreScapes Inc., Pomona, CA. "Commercial landscapers are one of the first cuts they make. Five percent of my normal business would be eliminated, but we're still growing by 25%."

Market changes may not have as dramatic effect on growth as internal changes do, reports Debby Cole, president of Greater Texas Landscapes, Austin, TX. "We have focused one person's efforts on business development and are also better at our delivery of services. Our resulting increase is due to us, not the market."

While his work continues to be in demand, Iorri finds that it's harder to be profitable. "This year, I've had higher costs and a little less profit per job. People are spending money to the max. I have later payments and more delinquents than before. I had more last year than in all my previous 27 years combined. It is the 'now' generation."

"One of our top challenges is financing and cash flow," notes Kevin Kilmer, president of The Groundskeeper, Tucson, AZ. "Finding financing is relatively easy. It's maintaining cash flow and staying on top of accounts receivable. Cash is king in every business and that is the same with clients.

They're going to push the envelope. 'I didn't get the invoice, the check is in the mail, you said you were going to do this and you haven't finished.' Everybody is stalling."

The competition game

The pressure on pricing, especially for maintenance services, continues. Many landscape professionals report low-balling in both residential and commercial segments.

"The inability (of landscapers) to charge properly is affecting the business," notes Jeane McNeil, owner of McNeil & Associates, Bainbridge Island, WA. "(New) people enter the field and charge less. One should be able to charge for the job one does."

"New sales are extremely competitive," notes Tom Heaviland, owner and president of Heaviland Enterprises, Vista, CA. "There are a lot of new faces in the marketplace. We've had to be more aggressive in sales,

where we used to rely on referrals for growth. We hired a business developer."

Heaviland's employees take competition seriously and receive bonuses for working with the business developer to get new business. He explains: "The whole team has their eyes open."

While everyone aims for profitability, competitive pressure on the maintenance side sometimes stresses costs and profits.

"Construction is still extremely strong in our region," Heaviland notes. "As a maintenance contractor, it's difficult to compete for labor (with construction contractors), because they can pay more than I can. We can't afford to pay like them or we won't be competitive."

With the slowdown in landscape consolidation, competition has taken on a more localized flavor.

"Competition here (in Canada) is really localized but it gets tougher as you get bigger," explains Robert Wilton, president of Clintar Groundskeeping Services, Markham, Ontario. "There are no TruGreens here."

"I don't think acquisition has gone away," says Randall. "TruGreen-LandCare is currently 'digesting,' and they'll be back in the market. When times get tough, there will be more acquisitions because people look for partners. In good times, people don't want to have the hassle of acquisition."

Current competition may only be temporary, Randall cautions. With a downturn, he expects many competitors to return: "Many of our competitors don't compete with us right now because they have contracts in the private sector. If that slows down, they'll be back in the public sector."

According to Michael Kemaghan, vice



Tom Heaviland

president of marketing, Weed Man, Mississauga, Ontario, "Our major competitors are not so much other landscape and lawn care companies, but painters, deck builders, carpet stores — all people competing for household dollars to spend on the home."

It's all about people

Without a doubt, landscape professionals continue to find labor their most vexing and consistent problem. News of massive layoffs to the contrary, managers in our industry still have difficulty attracting and keeping the employees they want.

"There are lots of layoffs here, lots of sad faces, but also some folks from high tech applying for our jobs," reports Cole. "When we had an HR opening, we were flooded with applications. We are getting good folks from

shuffling around in the (local) landscape industry. Entry-level employees come from our H2B pool, but foremen are still hard to find."

"It's never easy to find employees but we had very good applicants this spring," notes Robertson. "But the cost of employees continues to go up."

Phil Fogarty, sub-master franchisor for Weed Man/Turf Holdings Inc. in Cleveland, OH, notes, "It's been a very good business year and staffing is much better. It's not impossible like it was. We even get occasional calls asking if anything is available. It hasn't been like this for years."

Some contractors report that labor is still a challenge. "It's harder to recruit this year than last," says Brown. "At the end of last year when the economy was good, it created a problem — lack of qualified employees in the experienced or lead man/foreman category. It was worse this year. Those are the hardest people to find. We've used head hunters, employment services and more advertising."

"Labor is the biggest challenge for everybody," adds San Diego-based Newhard. "Guys just come and go. They'll leave for 24 cents more per hour."

Bay-area based Richards says high housing costs have driven away available workers. "An average home in northern California costs \$400,000. How many families can afford to buy a home? That's a big issue that strikes at labor availability. Our labor force is going to go to (California's) central valley

where housing is more affordable."

"I think the trend in production will be to get men off the ground and put them into a human-machine combination where the worker isn't doing so much of the physical labor," says James Wilhite, owner, Wilhite Landscape, Tyler, TX. "For example, the movement from 21-in. walk-behinds to a 44-in. walk-behind with a Velky to a ZTR."

"Employees are not a problem," says Kilmer. "It's easy to use it as an excuse for your problem, but there is no labor problem. There are plenty of good quality people available for work — it just takes time and effort and resources to make it happen."



Kevin Kilmer

Nasty surprises

Among the nastiest surprises for industry professionals was the sharp spike in fertilizer and fuel costs, both of which affected business from the start of the year.

A January survey by the Professional Lawn Care Association of America reported

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TABLE 8 — THIS YEAR IN BUSINESS, COMPARED TO LAST YEAR

In 2001 we...	Industry average
Had more work	76.6%
Found it harder to compete	62.5%
Had more backlog / customers	64.4%
Used more suppliers	48.7%
Had more picky customers	59.4%
Found it harder to be profitable	64.8%
Had financing / cash flow woes	58.6%
Found it harder to recruit	64.0%

COMPLETE DATA AT: WWW.LANDSCAPEMANAGEMENT.NET

TABLE 3 — SERVICES OFFERED

Industry Service	average
Landscape installation	86.3%
Mowing	72.6%
Landscape design	71.7%
Turf fertilization	69.3%
Ornamental care	66.0%
Turf weed control	62.3%
Turf aeration	59.0%
Turf insect control	54.7%
Turf disease control	49.5%
Irrigation maintenance	49.1%
Landscape lighting	48.1%
Irrigation installation	46.7%
Tree care	45.3%
Paving/deck/patio Install	43.9%
Snow removal	42.9%
Pond/lake care	24.1%

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that 91% of respondents had price increases, most averaging about 20% to 25%. About 77% of respondents said they planned to raise prices to cover their cost increases.

Hand-in-hand with the gasoline price increases were problems with fertilizer costs and even acquiring supplies, PLCAA's survey reported. A surprising 86% said they had problems ordering or locating supplies.

Most landscape professionals have absorbed costs, raised prices slightly or added surcharges. Some decided to absorb costs for established customers and raise prices or surcharges only for new customers.

"We are prepared to absorb most of those costs short term, because we have a many continuing customers, to show them thanks for their loyalty," says Robertson.

Richards reported jumps in both electrical and gasoline costs earlier this year. "Gasoline has been the real



David Brown

hit," he notes, "while electric prices came down and leveled off."

"Our power rates have probably risen 50% to 75% this year," explains Washington-based Brown.

"We're coping by gritting our teeth, tightening our belts and whining. It's something we have to account for in budgeting and pricing."

Time for innovation

Many landscape professionals are raising the level of their professionalism or positioning themselves for strong future business in boom or bust, such as opening new branches or servicing new client segments.

"We are hatching a new branch in Virginia dedicated to residential maintenance," explains Reeve. "It is a natural transition from design/build to maintenance."

Frith says his company is moving into

commercial lawn care. "We are looking into big jobs with wide area turf to keep employees on-site longer and increase our production capability. We are also adding services to maximize our customer base, retain current clients and generate new revenue."

Mondi from Mariani Landscape in IL says retail has appeal. "We started retail last year and are happy with that so far. We are hoping for double-digit growth – we are aware of the potential for this market."

"We are moving to sports turf maintenance work," notes Jensen's McGilvray. "Parks are being more heavily used than ever and there is a need for improved maintenance of sports turf facilities."

Heaviland thinks the move toward niche work may pay off: "We're concentrating on commercial maintenance. It's our best return, it's repetitive and that's what acquiring companies want."

"The industry is swamped with generalists and now we see a need for specialists," says Weed Man's Kernaghan. "You get paid better as a specialist and you are not seen as a commodity but as a 'boutique,' offering a one-to-one, personalized touch."

Suppliers' moves

The supplier side of the industry continues to experience consolidation as they struggle to be more profitable, position themselves more competitively and lower their costs. This will continue current trends of eliminating some products from the marketplace; changing distribution/dealer patterns; adding new transaction methods; raising prices for specialty products; bringing high-tech chemicals and equipment packages to market; and designing for efficiency.

Suppliers also are keeping have a watchful eye on the future of the Green Industry.

Jack Snow, president of Sheffield Financial Services, Clemmons, NC, says his firm

TABLE 11 —
EMPLOYEE PROGRAMS

Programs you offer	Industry average
Uniform	73.6%
Incentive/bonus	65.3%
Health care	54.2%
Promotions	36.1%
Retirement savings	33.3%
Transportation	30.6%
Cash for Educational	23.6%
Profit sharing	18.1%
Recognition programs	13.9%

COMPLETE DATA AT:
WWW.LANDSCAPEMANAGEMENT.NET

boasts a very low percent of defaults on loans to landscape and lawn care companies, but has noticed a slight uptick in problems this year. "There are a few more defaults and bankruptcies recently," he notes.

"We see that the economy has affected our customers," says John Chiera, sales director professional lawn care, Textron Golf, Turf and Specialty Products, Racine, WI. "They're trimming back crews and working longer hours, so they'll need bigger decks to remain productive. They're looking at contracts for more profitability and efficiency and starting to let the bad ones go."

He says Textron's dealers, like other suppliers, are very aware of economic trends. "Our dealers are more cautious about inventory management and their own profitability." **LM**

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Part 3 of this report ▶



Snapshot 2001

PART THREE:

Operations Review

Respondents in Landscape Management's 2001 survey represented all sizes and types of landscape and lawn care organizations, and are typical of thousands of others (see note Page a5).

While there is no "typical" professional landscape operation, certain statistics and practices clearly define this business. Our survey reflects the reality of the marketplace, where a majority (66.5%) of operations earn less than \$1 million annually. We've also studied three distinct

groups to see operating trends emerging for the entry-level firm (\$250,000 annual revenues or less), mid-level firm (\$250,001 to \$1,000,000) and large, established firm (\$1 million or more).

The typical customer mix is 57% residential, 38% commercial and 4% government. This changes depending on size, however. An entry-level firm averages 72.5% residential customers; a mid-level firm probably has around 60% and the largest firms may average about 35.5% residential customers.

It's easy to make a correlation between company size and length of time in business, too. The industry average years in

business is 18, but it breaks down like this: Entry-level 12.5 years average; mid-level 18 years; largest 24 years.

This year's survey showed that landscape installation is most prevalent, with 86.3% of respondents providing this service (entry-level, 78.3%; mid-level 87.6%; large established 90.7%). Mowing and design services were close second and third, with 72.6% of those surveyed providing mowing and 71.7% doing design work.

Favorite specialty services include water features (28.6%), erosion control (21.4%), masonry and retaining walls (14.3%) and garden centers and horticultural troubleshooting (both at 7.1%).

Operating issues

A glance at the typical operating budget shows that labor and re-

cruiting continue to take the largest budget share: 33% on average. However, it takes only 26% of the typical entry-level budget; as much as 40% of a typical mid-level budget; and a more manageable 34% of a large firm's budget.

Plants and landscape materials took a larger chunk of the 2000 budget than they did in 1999, an average of 20%, followed by overhead (19%), equipment and equipment maintenance (12%), fuel (9%), fertilizers and pesticides (5%) and other (2%).

This year presented several challenges, compared to 2000. While a full 76.6% said they had more work in 2001, 62% said they found it harder to compete. This varied depending on size, for only 66.6% of entry-level firms reported they had more work this year, while 82% of

mid-level and 82.5% of large firms noted higher demand.

A majority of respondents (59.4%) agreed that customers are more picky this year than in 2000. Larger companies (69.2%) reported this more often than mid-level (58.3%) or entry-level firms (43.4%), perhaps reflecting their larger proportion of commercial business.

Cash flow and financing seem to be more of a challenge in 2001, with an average of 58.6% saying it is difficult. A majority of entry-level firms (67.2%) noted financing/cash flow difficulties; with 48.5% of mid-level and 57.3% of large firms reporting the same.

This year's strange business climate and surprising jump in costs caused 64.8% of our respondents to say it is harder to be profitable in 2001, and this

was spread almost equally across small (60.7%), mid-level (60.0%) and large companies (69.8%).

Although a clear majority (62.5%) said they had more backlog or customers this year, 64% are still finding it harder to recruit. It is especially hard for entry level firms, with 83.3% saying its harder to recruit, compared to 57.5% of mid-level and 56.9% of large organizations

In the past year, only 9.1% of respondents said they dropped a service or customer segment, 7.3% bought another business, 6.8% opened a new branch and 4.1% offered employees stock.

Other business challenges that concern the industry include: Energy costs (35.5%), employee retention (31%), affordable products and supplies (28.4%), business management

TABLE 6 — FAST-GROWING SERVICES

Service segment	Fastest growth (industry ave.)	Rate of growth (industry ave.)
Landscape maintenance	45.0%	30%
Landscape design/install	41.9%	23%
Custom chemical app.	11.0%	47%
Specialty services	8.9%	23%
Irrigation	6.3%	18%
Tree care	4.7%	28%

issues (23.2%) and government regulations (23.2%).

Handling people

While the average number of employees working full time was 34, the average number was three for entry-level firms, seven for mid-level and 131.5 for large firms. The use of part-time and family members is spread across the industry, as is the use of foreign-born workers.

Respondents report that they pay their best supervisors an average of \$16.01, ranging from \$14.20 for entry-level firms to as much as an average \$18.56 for large-firms. Average hourly rate for entry-level workers is \$8.24, with entry-level firms paying the most (\$8.45), followed by mid-level (\$8.18) and large (\$8.01).

Most firms, large or small, try to provide a employee benefits to boost retention and save large recruiting and training costs. Most popular are uniforms, which are provided by 73.6%, followed by incentives or bonus plans (65.3%), health care (54.2%), promotions (36.1), retirement savings (33.3%), transportation (30.6%), educational reimbursement (23.6%) and profit sharing (18.1%).

This is echoed in the comments of many respondents who mentioned new programs they are implementing. AAA Landscape's Underwood is an example, "We need to service our internal clients as well, and those are our employees. So we're making long-range plans, we've developed company values and a mission statement and we are concentrating on education." **LM**

Part 4 of this report ►

TABLE 2. — HARD WORKING LANDSCAPE PROFESSIONALS

	Industry Average	Entry level <\$250k	Mid-level \$250k-\$1M	Estd. >\$1M
Average working hours/week	56	54.5	58	55
Average years in industry	19	16	18.5	20.5
Average age	44	43	44	45.5
High school or less	12.0%	12.0%	6.2%	17.3%
Some college	30.4%	30.3%	39.3%	17.3%
Vocational / tech school	4.3%	6.0%	3.0%	4.3%
Associate's degree	10.9%	15.1%	9.0%	8.6%
Bachelor's degree	35.9%	36.3%	33.3%	43.4%
Post graduate degree	6.5%	0.0%	3.0%	4.3%
Very satisfied with career (well rewarded)	82.7%	71.6%	84.9%	90.4%
Somewhat satisfied with career (or rewarded)	14.9%	25.0%	12.3%	7.9%
Not satisfied with career (or rewarded)	2.4%	3.3%	2.7%	1.3%
Ave. personal take home pay	\$73,351	\$45,884	\$67,149	\$106,666

PART FOUR:

Strategies for 2002

How do landscape professionals see five years into their future? A full 73.6% of survey respondents said they plan to grow much larger, and 48.8% predicted they'll be serving new customer groups. Some (30.2%) envision expanding into larger geographical markets. Nearly half (48.8%) plan to provide more employee benefits to improve retention, and about one fourth (25.6%) expect to be using new purchasing methods.

So how do you plan to get there from here, given today's uncertain economy? The direction of the economy has everyone puzzled, including leading economists. They're not ready to forecast any trends up or down, because the signs continue to conflict. The problem? This economy is not behaving predictably.

According to economists, the

typical recession starts with a drop in consumer spending, which then precipitates a drop in business spending and investment. But that pattern is reversed in this economy, where manufacturing and high-tech are stumbling, consumer spending continues and services like professional landscape management continue to be in demand.

Since consumer spending is driving this economy, economists are hoping that this summer's \$40 billion in tax rebates will continue the trend. Some sectors, like manufacturing and high tech, may take a while to recover, but strong consumer spending should encourage service industries. In fact, some economists see consumer belt tightening now as a threat to the economy.

As of mid-August, some economists saw signs of a further contraction of business in mid-2001, possibly signaling the start of a true recession.

The uncertainty in pivotal industries like construction and

Annual Revenue in 2000



home building obviously affects the Green Industry, since both installation and maintenance rely on growth in those markets. Other indicators of consumer confidence and disposable income may point to future spending for ongoing maintenance and lawn care services.

Opportunities to excel

However, many landscape professionals feel that business will remain good, even if the econ-

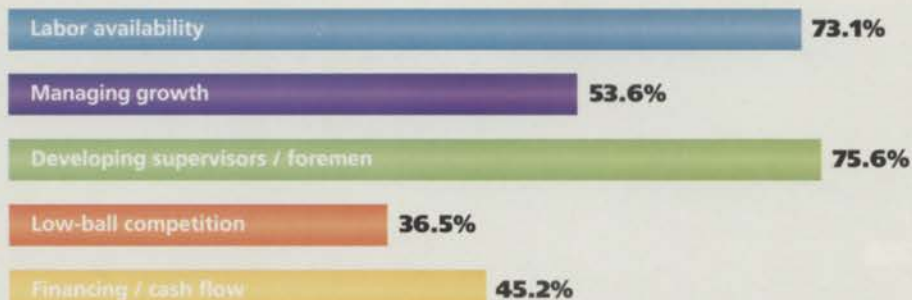
omy starts to sour. They point to property managers' need to keep commercial properties attractive, as well as homeowners' entrenched habits of using professional landscapers for installation and maintenance.

"This is a recession-proof industry," maintains Fogarty, who concentrates on lawn care.

Depending on the local market, there's no question that opportunities for new and better business will continue. "I think there's tremendous potential in the San Diego marketplace," Heaviland maintains, echoing many other landscape professionals in similar markets.

"This industry continues to be a growth industry," notes Kilmer. "The typical economic conditions are affecting everybody and I don't think of it as a negative. I think that there are opportunities for the industry leaders to continue to excel."

Top 5 Challenges in 2001



Green 'Web' Outlook

Landscape Management's 2001 Reader Survey (see data at LM.net) shows that the Internet is already an important utility in this industry across all revenue categories. Here's how some pioneers are working better/faster/smarter thanks to the Internet.

Training made easy

Dick Jones, Davey's Training Services Manager, says Davey Tree Expert Service spent five years and more than \$300,000 to create Davey Institute Online. (www.davey.com/college). With more than 7,000 employees, Davey needed a way to keep its training and procedures manuals up to date. The company built online versions of its legendary training programs, including Spanish-language versions.

E-commerce continues

Bruce Wilson, vice president of Green2Go.com, says his company partners with more than 400 nurseries and 30 hard-goods companies. He says newer companies, headed by a young generation of managers, adapt more quickly to online purchasing.

Steve Cissel, CEO of GreenIndustry, Inc. (www.greenindustryonline.net), believes that e-commerce has already reached critical mass in this industry. "In the very near future, you will see the convergence of the PDA (Palm Pilot, Visor) with your cell phone. There will be one device, and you will be connected 24/7 via the Internet to your corporate Web database."

"Owners of companies in this industry are very smart people," says Michael Ferraro of PlantFind.com. "Companies that can locate, buy and sell their products online are starting to figure out ways they can incur lower costs and get higher returns."

Recruiting advantages

"The Green Industry as a whole has yet to realize the true value of Internet recruiting," says Dean Davis, president of GreenIndustryJobs.com. "And job seekers have to learn that, with specialized sites like ours, they can have new job listings automatically e-mailed to them."

Community building

"You'll see more and more community sites in the near future," says Green2Go's Wilson. "Landscapers are beginning to use online forums to get tips from each other on how to run their business, or find out what people are saying about a new product."

— Lynne Brakeman, On-line Content Editor

What's your plan?

Given the likelihood of this economy moving either way, having a plan that provides solid business and control of costs is just a start. Step two is to thoroughly analyze your operation and its services, customer base and competition, then ask:

- Are the financial and operating systems sound?
- Are service delivery and people management as good as possible?
- Is it time to adjust your customer base, service offerings, competitive stance?
- Do you need new resources of funds, people, expertise?
- If the economy takes off are you positioned to grow further?
- If the economy slumps, do you have a plan?

It may take some time for this industry to feel a slowdown if the economy does slump. When that happens, many managers react by taking drastic steps and cutting costs to the bone or making across-the-board cuts that rarely make sense. Business experts recommend careful cost cutting that makes sense for the way you do business and also allows for potential growth.

In fact, a strategy that positions your operation for flexibility is best, say many experts. A *Wall Street Journal* study of high-performing companies that excel in downturns says many of them focus on growth by developing meaningful value to customers, engaging employees, developing leaders, innovating service delivery, providing appropriate rewards and emphasizing career development.

The article also says that a focus today just on profitability, cost management and growth by acquisition may not be enough to compete in 2003. Instead, the authors suggest focusing on innovation, new markets and services, strategic partnerships and e-commerce.

Several landscape professionals are already working on these areas and have invested in employee and leadership programs, strategic alliances and unusual market positioning. They're prepared for a serious downturn too, and are taking steps like these:

- beefing up cash flow and receivables collections,
- focusing on services delivery and customer relationships,
- trimming costs but keeping valuable employees,
- lining up future sources of financing now,
- eliminating troublesome customers or service segments,
- contacting customers more frequently, and
- staying upbeat with customers, suppliers and employees.

Business experts also note that downturns can be good times to sell all or part of a business or even start a new service. The service that gets established in tough times has huge potential to grow in better times. Experts warn, however, that these moves may be riskier during a downturn. **LM**

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Property management issues are different

BY GEORGE WITTERSCHEIN /
CONTRIBUTING EDITOR

How is landscape doing from the client's perspective? We asked large property managers, who say the economy is slow, but not dead.

According to Mike Nalley, senior vice president of Trammell Crow Company, "The residential and corporate property management businesses are still doing extremely well." However, he admits, "We have seen a slowing in the economy."

A senior managing director at Trammell Crow observes, "We are seeing the outsourcing trend continuing. We still see it as a huge world that is untapped." Translation for the industry: property managers will be looking for facilities support partners like landscapers.

"Particularly in a down market, corporations are looking to reduce expenses and overhead," says Nalley. "Outsourcing is a big part of that."

Trammell Crow plans to keep spending on landscape services, Nalley says. "It's going to be very consistent with what

we're spending now, if not more. Landscaping and curb appeal are extremely important, particularly in a slow market, because it's how you retain existing tenants and gain new ones."

Work the 'creative' budget

A silver lining of a slow economy are pockets of leftover dollars transferred from "new capital budget purchases" to the "enhancement and maintenance" line (which should include landscape services).

That was the opinion of Todd Tibbitts, senior vice president for landscape operations at Post Properties Inc., Atlanta, owner and operator of 33,000 upscale residential apartment units in nine states.

Tibbitts agrees that we are in a "broad economic slowdown. Our company recognized that over 12 months ago, and we've intentionally slowed development activities since then.

"We will continue to spend the same amount of money," on landscape services, Tibbitts reports. "I think property managers will be forced to squeeze more service for fewer dollars

out of their support contractors. In many cases they will be turning work over to low bidders.

"On the other hand," he recommends, "because real estate companies will be spending less on new development, they will have capital budget dollars left, and may plow some of that into existing properties. Landscape managers should be prepared."

Tapping the market

Want to do business with major property managers? Here's how:

1. Plug into new procurement mechanisms like Sitestuff (www.Sitestuff.com), a purchasing service for property managers. It represents approximately 4,000 properties, including many top property managers in the U.S. For more information, call 888/251-0821.
2. Get information technol-

ogy capacity. "Having decent IT capacities is going to be a necessity for doing business with bigger companies, because of the move toward Web-based procurement," says Trammell Crow's Swink.

3. Provide vertical integration. Tibbitts explains that separate contractors often do design, build and maintenance of a property, when managers want one provider. "There's no overlap and no integration between those disciplines."

4. Embrace environmentalism and professionalism. "We are an environmental business," notes Tibbitts. "The industry needs to improve its level of professionalism, and gain further credibility in the business arena."

5. Don't play games with bids. Be up-front about all costs involved in a project. **LM**



PHOTO COURTESY TRAMMELL CROW