

PROGRESS

Recession-proof your business

According to *U.S. News & World Report*, the best comparison to the most recent economic recession is the one from 1981-82. It lasted 16 months, had several quarters where the economy shrank 3% or more and saw unemployment rise as high as 10.8%.

The 2008-2009 recession was — if it is indeed over (nearly two-thirds of American believe the economy has yet to hit bottom, according to a *Wall Street Journal* poll taken in late 2010) — different from any other because of its depth and causes. “The first trigger was the drop in housing prices, which robbed many people of their primary access to capital,” explained Douglas A. McIntyre in a 24/7 Wall St. article appearing in the Yahoo Finance news section. “As that access disappeared, so did the availability of credit. Consumer buying power evaporated and businesses cut inventory and production. Joblessness rose. Finally, consumer confidence plunged.”

The latest “downturn was so great that in some months more than 500,000 people lost jobs,” he continued. “The unemployment rolls are now more than 8 million, and over 1.4 million people have been out of work for over 99 weeks.”

The statistics speak volumes. But what does the landscape industry think? Was the recent recession the worst they’ve ever experienced, particularly compared to the 1981-81 recession? We revisited 1982 issues of *Weeds, Trees & Turf*

Landscape businesses experiencing numerous recessions have learned a thing or two about survival.

(*Landscape Management* today) to find out. In January 1982, Bruce Shank, then executive editor of *Weeds, Trees & Turf*, reported 1981 as a growth year for the landscape industry. But a survey he conducted revealed the challenges landscape contractors were facing and why they expected less growth in 1982.

- ▶ Nearly two-thirds of contractors delayed purchasing equipment in 1981 due to interest rates. The same number raised prices to cover higher interest costs.
- ▶ Half of respondents cut credit use to buy equipment and cut credit terms allowed customers.
- ▶ 40% of landscape contractors avoided using credit to finance expansions.
- ▶ Half of landscape contractors reduced their number of employees.
- ▶ More than 40% of landscape contractors expanded into new types of landscape services to counter rising costs (mainly design and lawn care).

prolonged recession was listed as the top concern for landscape contractors this year, and 27% of contractors reported the industry as down (14% of which said it was down significantly), while another 26% called it flat. Seventy-five percent of business owners think another recession is likely before full recovery, according to Discover’s Small Business Watch. When it comes to employee pay, only 40% of contractors gave raises to hourly/seasonally workers, 36% gave them to salaried employees and 31% gave them to owners/management team members.

For further comparison we asked Bruce Wilson, *Landscape Management* columnist and consultant with the Wilson-Oyler Group who experienced both recessions, for some more guidance.

“This one is much worse it seems,” he says of the most recent recession compared to 1981-82. “It has been longer and even in somewhat of a recovery, construction is still very weak. Housing has been hit particularly hard. And I believe maintenance prices were hit much harder in this recession.”

Want to be better prepared for future recessions? Wilson noticed a trend. “The companies doing the best in this recession are companies that took cost cutting seriously and with a sense of urgency,” he explains. “Several people told me they made cuts in overhead they should have made a long time ago.”



Bruce Shank shares data on the 1981-82 recession.

▶ 33% of landscape contractors moderated growth goals, tightened routing and used smaller plant material when possible to cut operating costs.

Comparing the research to today, contractors are experiencing some pretty tough times — just on a different scale. According to 2010 *Landscape Management* research, a