

this to say about the next 10 years (through 2009):

► Gross domestic product will grow an average of 2.3% per year.

► Unemployment rises to only 5.7% after 2001.

► Short and long-term interest rates inch up after 2001 (but not too high or too fast).

In other words, expect a little less borrowing power, a little less ROI from the stock market, a few more price rises and continuing difficulty finding labor.

"Soft landing scenario" is the way CBO forecasts the future. That sounds a lot better than any "hard landing scenario."

What's limiting growth?

We asked respondents to our survey to list the key factors limiting their growth from 1998 to 1999, as well as services they're planning to drop. Here's what they said:

► **Labor availability** was the overwhelming factor limiting their organization's growth, said 43.6% of respondents. This seemed to hit mid-size organizations the worst — 53.6% of small companies (\$100,000-\$500,000) and 53.6% mid-size (\$500,000 to \$1 million) companies said labor availability was their major headache. In contrast, only 22.2% of large firms (>\$1 million) and 36.4% of the smallest firms (<\$100,000) ranked it number one.

Highest geographical need for labor apparently is felt by firms in the Midwest (54.3%), followed by the Northeast (43.2%) and the West (42.1%).

But, putting a lot of bodies on the payroll is not the ultimate goal of any company—being profitable is that goal.

Alan Steiman, owner of Alan Steiman's Landscape Inc.,



Alan Steiman

Northboro, MA, says 10 years ago he employed as many as 40 people during peak season, and his company lost money. Now, with 12 employees, it's profitable. And Steiman is content to keep it from

growing too large.

► **Ability to get good supervisors/foremen** also ranked high overall, with 38.4% reporting this as another limiting factor. Mid-size companies ranked this much higher than other firms — with 58.8% noting its importance. Small firms also had problems here, with 42% ranking it important. Only 38.9% of largest firms and 25% of the smallest firms ranked this a limiting factor.

If you're a supervisor, head to the Northeast, where 46.2% of the firms noted this is a problem, followed by the West (41.2%), South (37.1%) and Midwest (30.3%).

► **Unfair pricing and low-ball/competition** also ranked as important with 25.4% of the respondents. This situation obviously hurts the smallest firms

most, with 33.3% noting a problem, followed by those ranging from \$100,000 to \$500,000 (25.5%).

Contractors in the Northeast seem to have the most problem with this type of competition, because 30.2% cited it a problem, followed by 23.3% in the South, 23.1% in the West and 21.9% in the Midwest.

Business inhibitors

Other factors that clearly inhibited some contractors' business from 1998 to 1999 include bad weather (51.6%), labor quality (51.6%), more competitors (31.7%), plant material availability (18.3%) and their own business management skills (18.3%).

It may be lowball competition or property managers' own

pressure to perform at a higher level of profits, but many landscape maintenance budgets remain somewhat tight.

Walfrido Verendia, grounds manager at Pepperdine University, Malibu, CA, sees continuing budget pressure forcing him to try and maintain the landscape with less resources. "Our budget is shrinking and we have to do more with less. This means less color, less manpower and no extras."

Verendia has found some solutions through outsourcing, particularly installation of landscape areas, installation of irrigation equipment, renovation of the soccer fields and renovation of gullies on the property.

Although most contractors we contacted are keenly aware of their competition, they also

Operating problems that can limit your growth



At least she insists

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see plenty of new opportunities developing from their markets and even from their competitors' moves.

David Daniell of Heads Up Landscape Contractors in Albuquerque, explained: "Our main design/build competitor has dominated his segment of the market by extremely successful marketing and aggressive pricing. However, they are beginning to be victims of their own success, providing opportunities for us."

Survey respondents continue to feel the pinch of low-ball competition and "unethical" players. Cathy Clark, Clark Lawn Service, Indianapolis, IN, remarks, "We need more licensing and registry requirements to make the lowballers play on the same field regarding insurance, zoning regulations and tax responsibilities!"

Consolidation drives changes

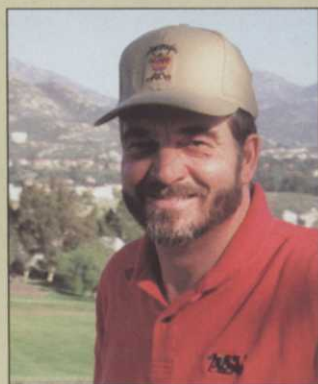
The effect of consolidation as a factor limiting company growth is not considered very important; in fact 59% considered it to be least important. That isn't to say that there isn't some effect, but most businesses seem confident that they can define a niche or expand on a service.

Dale Amstutz of Northern Lawns, Omaha, NE, sees increased competition as an issue because some of the new smaller businesses are offshoots of consolidated companies.

"People leave and start their own businesses. Some know what they're doing, some don't and some don't know how to

bid," he says. "While four to five applications are standard, some businesses are doing them in seven or eight so that comparisons of cost per treatment looks better, even though the actual cost for the season is similar."

Customer turnover is one of the costs of high competition, says Amstutz. "We lose a certain amount each year — but a lot come back." He reports an annual customer retention rate



Dale Amstutz

of +85%, with an estimated 2% returning after they've tried someone else. Offering tree care to non-lawn customers is one option he's moving into, with good return.

Another new service Amstutz is offering is outdoor structural perimeter pest control. And he's confident — an important characteristic to compete in this business. 'Who does work as good as you do in your market,' we asked? "No one," he stated firmly.

Big isn't better for Scott Carlisle either. He's manager of Valley Landscape & Maintenance, Boise, ID. Referring to

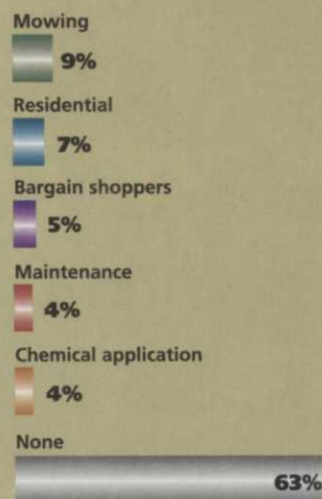
his two larger lawn care and maintenance competitors, he says, "This can be a positive for guys like me. They tend to lose the personal touch."

Many industry professionals feel unaffected by the moves of the giant consolidators, since they are not direct competitors or even service the same segments of the market. But they may feel more competition in the future because of consolidation, predicted Stu Mayer, Sunburst Landscape, Cranberry Township, PA. The consolidations

"affect a small percent of the total market. A large quantity of middle managers are going to be unemployed or self-employed after (the consolidators') systems are integrated. Look at other industries merging like banking. This will be the next result."

The industry's consolidation may involve giant firms, but even Carlisle feels its effects. Before TruGreen-ChemLawn bought PermaGreen (another local lawn care firm), Carlisle relied on them to do his chemical application work. Now, things are different. "We're starting to do chemical applications. We subcontracted all our chemical work to PermaGreen and (at the time) they didn't do mowing. Now, they're mowing."

Services you're planning to drop



Many contractors and grounds managers also feel the effects of supplier consolidation. Verendia explained that supplier consolidation means less service for his grounds management operations. In his case, the supplier also provided field maintenance of irrigation equipment.

Services to drop

While this decision depends more on an individual company's business profile and customer mix, we did see some similarities in services contractors plan to drop for 1999 or 2000 (63.2% plan no drop in services):

► Mowing services will be dropped by 8.8%; primarily by companies ranging from \$100,000 to \$500,000 (12%). Respondents from the Midwest

(13.3%) and Northeast (11.1%) seem to find this more frustrating and plan to drop.

► Only 3.7% plan to drop maintenance (highest was companies between \$500,000 and \$1 million with 7.7%).

► Chemical application may be dropped by a small portion of the market also, with 3.7% opting for this.

As for customers, 7.4% of survey respondents plan to drop residential customers from their list, while 5.1% of the contractors will get rid of those pesky bargain shoppers and slow-paying clients.

'What ifs' keep life interesting

Who doesn't wish for a crystal ball, or at least a game plan if things go south? It's not unheard of for dramatic events (economic or otherwise) to turn a market around. But even the experts are not forecasting the possibility of anything dire.

Sure, interest rates may inch up more quickly than expected or foreign events may eventually affect the balance of payments. If the economic boom starts to affect the landscape industry, it won't be without warning. Unemployment claims will jump, construction starts will slow, interest rates will climb and disposable income will get tighter.

As for some quick fallout of the market, that seems unlikely right now. This high-flying cycle is built on unprecedented consumer confidence in their investments and in the system, and that may take quite a while to shake. **LM**

Consumer Confidence Counts

The economy's (and the landscape industry's) growth depends in large part on the confidence that consumers continue to have. Their outlook on investing in stocks, buying and building new homes and their ability to pay for professional landscape services is a key factor to watch. Two studies in particular indicate continuing (but not so strong) growth for professional landscape services.

► The Outdoor Power Equipment Institute (OPEI) predicts that fewer commercial intermediate walk mowers will be sold in model year 2000. The sales of commercial riding mowers should remain constant. The OPEI bases its projections on fewer housing starts and sales of existing single-family homes in the coming months, as well as the University of Michigan's continuing studies of consumer confidence.

Their trends show a reduction in the sales of commercial walk-behind mowers, but a 5% jump in sales of commercial riding mowers this year. Then, trends for housing and mower purchases show a slight slowdown going into the year 2000.

COMMERCIAL MOWER PROJECTED SALES

	Model Year 1997	1998	1999	2000
Commercial intermediate walkers	48,300	49,700	48,399	48,300
Commercial riding mowers	52,400	65,100	68,226	68,585

► The annual Gallup survey of American homeowners using professional landscape and lawn care services also projects growth in some areas and declines in others. Maintenance for landscape and lawns in 1998 showed a hefty 32% increase over services in 1997, and total spending for landscape services jumped \$2.2 billion. The big winner in this survey was landscape installation and construction services, which grew an impressive \$2.7 billion alone.

But landscape design services dropped off by \$100 million and tree care lost even more in revenues — \$700 million (leaving the overall total of growth to \$2.2 billion). And while the survey showed an amazing 48% increase in the average amount spent per household, it also showed a significant decline in the number of households using these services. Is this statistically meaningful? It may be too soon to make any assumptions, but the drop in some service areas and loss of customers should definitely be watched.

The survey is sponsored by the American Nursery & Landscape Association, the International Society of Arboriculture, the Associated Landscape Contractors of America, the Professional Lawn Care Association of America, the National Arborist Association and the National Gardening Association.

U.S. HOUSEHOLDS USING PROFESSIONAL LANDSCAPE SERVICES (IN MILLIONS)

	1997	1998	Change
Landscape/lawn maintenance	14.3	13.7	- 600,000
Landscape installation/construction	2.0	2.4	+ 400,000
Landscape design	1.1	1.2	+100,000
Tree care	5.6	4.1	-1,500,000
Total	23.0	21.4	-1,600,000

SOURCE: OPEI

SOURCE: GALLUP SURVEYS



Leafminers



Thrips



Lepidoptera

wasted



Beneficials



Ornamentals



Workers

conserved

Running your business means walking a fine line. You have to eliminate insect pests, but you have to do it without harming beneficial insects, plants or your workers. The answer? Conserve* SC turf and ornamental insect control. Nothing's better at controlling tough insect pests. And since it's derived from a naturally occurring organism, Conserve also controls your worries about plant damage and beneficials. Conserve. It's not a synthetic. It's not a biological. It's business insurance.

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Get with the program!

Everyone talks a good game about managing teams, but the few that make it happen share information, responsibility and rewards.

By GEORGE WITTERSCHEIN

Teamwork is such an obviously good idea that you may take it for granted. These four companies of different sizes consider teamwork a major article of faith. Here's a look at how they live that philosophy.

Share the news

Chapel Valley Landscape Co. of Woodbine, MD, employs about 250 people and generates revenues of between \$15 million and \$16 million. The family-owned com-

pany provides residential and commercial design/build and maintenance, as well as water management/irrigation and lighting.

Hans Bleinberger, residential manager, describes his company's path to teamwork as a part of an evolutionary process.

"You know that to get anything done, you're going to have to have a lot of people helping you," he says.

Bleinberger is committed to teaming on an exceptionally strong level, starting with communication. "I know that communication is a trite, overused word, but that's what it is — sharing information. We're an open-book company in that we share our financials with our employees at all levels. I take a lot of pride involving the team in developing a sound budget, and then letting *them* come up with a strategy to meet the budget. We keep them up to date on how they're doing and how their strategy is working."

Does this mean if he's thinking about

buying a new chipper, he actually runs that past his team? Yes. "We tell the employees we're looking at a piece of equipment and this is how the purchase would affect our overhead, how it might affect the bottom line. Then we ask, 'What do you think? Do you want to hold tight, or do you want to buy?'" he explains.

The residential division has three teams of about 12 to 15 people each. "I migrate between those teams and tie them together," he says.

Communication methods include:

- ▶ A company newsletter in both English and Spanish
- ▶ E-mail



J. Landon Reeve

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Cut along the dotted line.



The F620 Z-Trak™ Zero-Turning-Radius Mower

When trimming, the F620 Z-Trak Mower has the inside track. The left-hand mower blade is canted toward the left drive wheel for a closer cut. And the entire deck itself is offset to the trim side and set back. In short, this advanced mower takes being on the cutting edge quite seriously — unlike most other zero-turning-radius mowers.

Obvious results are a gorgeous trim and pleased customers. (Not so obvious is all the walk-behind and line trimmer touch-up time this close-cutting mower saves you.)

Of course, its geometry isn't the only thing on your side. There's also the ability to power the new (and unique) John Deere 60-inch, 7-gauge, stamped-steel deck; precise controls; industry-best servicing; and excellent hillside stability — to name a few.

Remember, when it comes to zero-turning-radius mowers, it's not how well they turn, but how well they trim. Interested? Visit your local John Deere dealer (call 1-800-537-8233 to find one near you).



The rear of the F620 Mower stays within the cutting arc, so there are no trampled flowers or fences to be mended.

Circle No. 109



Nothing Runs Like a Deere®

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► Phones with combination cell phones/radios that act like walky-talkies

► Weekly meetings (foremen, field managers, design, sales, the ranks).

Chapel Valley also provides ample incentives. "We do branch profit-sharing," Bleinberger says. "All the employees are eligible for a fixed sum each quarter. Since we're open book, we're in a position to say, 'If we put a couple of Saturdays in here, it will get us over the hump and we'll make our number.'"

But does the teamwork approach really work? "We can say without a doubt that it does, evidenced by a couple of things. One is just the stability of our team. It has longevity. And when your folks go on to other opportunities, the team has enough strength to withstand it. We've been able to weather the storms of market ups and downs, of competition, fairly well. I think teamwork is our strength. It's what has allowed us to grow and to do so in a controlled manner."

He continues, "Customer satisfaction and perception also benefit. A customer looks out and sees everybody working hard, the foreman and the crew doing their thing, they have a system down, the tarps are coming off the truck, the tools are out ... it clearly looks like teamwork in motion. I think the customer extrapolates that out to the quality of the job they are going to get and the value they paid for."

Interestingly, when *Landscape Management* phoned Chapel Valley for an interview, we discovered a teaming attitude right off the bat. We asked owner-president J. Landon Reeve to speak with us, and he promptly recommended we speak with Bleinberger: "Hans is very passionate about the subject." Informed of the hand-off, Bleinberger responded, "That's Landon. He gives the credit and is very comfortable stepping out of the spotlight for other members of the team."

Make TQM work for your services

Teamwork is both an everyday common-sense idea and a major element in Total Quality Management, today's leading management philosophy worldwide.

TQM is the source of such buzzwords as quality circles, self-managing work groups and participative management. While such language can sound like mere jargon, it can make a huge difference to business success — if you apply it.

Tim Doppel of Atwood LawnCare did. He heard one of the last public lectures of W. Edwards Deming, the legendary founder of TQM, in Detroit half a decade ago. Doppel reports that although TQM leans strongly toward manufacturing, with some effort on his part, he was able to apply the thinking to his service business.

Of course, TQM is nothing new and many related ideas continue to evolve. For example, Doppel says that he picked up much of his teaming philosophy from non-TQM sources, including discussions with green industry colleagues. But if you care to go to the sources, here are some books:

The Total Quality Management Handbook by John L. Hradesky, December 1994. About \$75; 712 pages. McGraw Hill Text; ISBN: 0070305110. This is an exhaustive (and possibly exhausting) text with substantial treatment of leadership and team building.

The Quality Improvement Handbook: Team Guide to Tools and Techniques by Roger C. Swanson, March 1995. About \$50; 267 pages. Saint Lucie Press; ISBN: 188401559X. This book attempts to apply TQM ideas both to manufacturing and service businesses, and also serves as a sourcebook for tools supporting a team-based quality improvement effort.

The Man Who Discovered Quality: How W. Edwards Deming Brought the Quality Revolution to America — The Stories of Ford, Xerox, and GM by Andrea Gabor, Paperback Reprint edition February 1992. About \$14. Penguin USA; ISBN: 0140165282. This is a popular book about the founder of TQM and his thinking.

Share the rewards

The approximately 200 employees at L&L Landscape Services Inc., now a Tru-Green LandCare firm in Sunnyvale, CA, serve industrial and commercial clients in the counties surrounding San Francisco Bay. L&L's net revenues are between \$11 million and \$12 million.

How did partners Steve Glover and Rob Zolezzi get into the teamwork mode? Glover explains, "While teamwork is part of my nature, the actual process of making it happen was spurred on by going to association sessions, hearing the message reinforced and seeing how to build a good team."

Finding the right people is the key, Glover says. "The most important part is finding team members who are complementary to each other and to the vision of

the group. More important than the technical skills of the team members is the ability of those team members to support and contribute to the relationship."

Once L&L has people in place, it uses incentives to reinforce the philosophy. "Once they are a team, we give them a motivation to work well as a team. But we do it in that order. If you take people who are incompatible, it's not going to be very productive no matter how much you incentivize them," he says.

L&L's day-to-day teams include:

► The executive team (comprised of Glover, Zolezzi, the CFO, the vice president of operations and the director of sales — they share incentives with themselves and within their departments)

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