

TruGreen Turnaround Plans Revealed



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MEMPHIS, Tenn. – TruGreen LawnCare, the worlds largest lawn application company, is being spun off from its parent company, ServiceMaster, in an attempt to revive its fortunes as well as solidify the earnings and position its parent company for "a liquidity event" (i. e. IPO) sometime in the future.

These were among the main themes (and prompted the most questions from investors and others) in the hour-long Q3 Earnings Conference Call by The ServiceMaster Company Nov. 14.

It is expected that by Dec. 31, 2013, TruGreen will begin operating as an independent company in the portfolio of Clayton, Dubilier & Rice, a 35-year-old private investment firm.

It's been no secret among competitors and other interested green industry experts that TruGreen, which posted revenues of \$980 million in 2012, has been limping these past two years. And David Alexander, TruGreen LawnCare president, didn't try to sugarcoat its performance during the conference call. He pointed to the loss of 300,000 "or more" customers over the course of the past several years as being a huge challenge facing the soon-to-be independent company.

"We are well down from where our customer counts have been historically, and we have a lot of work to do to build back our customer count," he said. He warned investors that the process will take time, and probably will not become evident into well into the 2014 season.

He said that the retention rates for TruGreen's base customers "has held up well" but that it has struggled to service new customers.

"Where we had problems last year, 2013, have been retaining new customers. And that has been very directly a result of issues with our systems. So, if you are an existing customer we've been fairly effective in scheduling your

services and delivering your services. If you're a new customer we've had to do what we call 'best fit,' we've had to figure out places to fit you into schedules and to serve you," said Alexander, who was named president of TruGreen in December 2012.

He said that TruGreen has set the following goals to improve its performance in 2014:

1. Grow its customer count through more targeted direct mail campaigns, better execution of outbound telesales and neighborhood door-to-door sales.
2. Improve service delivery, drive down costs and improve customer retention rates.
3. Return service delivery costs to 2012 levels.

Key to achieving these goals will be TruGreen's ability to achieve "progress in terms of productivity," and also in significantly upgrading its systems.

"When we began the year (2013), I thought that our systems were a liability and a competitive disadvantage," said Alexander. "Today, I feel with all the progress that's been made we are sort of competitively neutral from a system's standpoint. With the initiatives we have underway I think that 6 to 9 months from now we will view our systems as a sense of pride and a point of competitive advantage."

Several callers asked at how ServiceMaster arrived at a "value" for TruGreen. However, no specific formula or number was forthcoming by from ServiceMaster.