



## REFLECTIONS FOR A COMING NEW YEAR SERIES

December 31, 2001 St. Petersburg Times - KRIS HUNDLEY

2001 can't be over soon enough for many Tampa Bay area businesses that were slowed by the economic downturn, then stopped dead in their tracks by terrorist fears.

But executives in every profession, from trucking to temporary help, Web design to water purification, are starting to reflect some hopefulness for the new year.

For most area companies, this was a year of winnowing and restructuring, forced upon them by harsh economic realities. Newer companies, familiar with nothing but growth, were forced to fire employees and retrench. Businesses in more established niches trimmed expenses as they hunkered down for yet another cycle.

As they reflected on the past year and looked forward to the future, local executives fell into three categories: the unabashedly bullish, the steady and stable players and the bruised but unbeaten companies that hope business will improve in 2002.

### The bulls

For the past three years, Jim Cody Inc., a food distributor in Tampa, has mulled over expansion plans. This spring the company will move to a larger headquarters, add 30 employees to its 65-member work force and start servicing a new account that's going to increase the company's revenues by 50 percent.

Cathy Cody Mathes, executive vice president, said her company's bullish prospects are fueled by luck, low interest rates and less competition.

"We were just maxed out at this location and we either had to commit to expanding or just stay like we were," said Mathes, daughter of company founder Jim Cody. "The interest rates weren't a factor (in our decisionmaking) but they helped." Also a big help: A major competitor went out of business, leaving Mathes' company to scramble for the accounts.

Jim Cody, which delivers supplies to chains such as Outback Steakhouse and Chili's, also benefits from its place in the restaurant food chain. "Fast food places and more upscale restaurants are having a hard time," Mathes said. "But the medium-price restaurants we sell to are very stable. We pretend to have a five- year plan, but we just happened to be at the right place at the right time."

Lazydays RV SuperCenter in Seffner is banking on a mix of low diesel fuel prices, low interest rates and diehard patriotism to keep customers coming in the new year.

The market for recreational vehicles took a hit early in this economic slump, showing signs of weakness in April. Sales began to pick up at Lazydays in June and, after a temporary setback following the terrorist attacks in September, the dealership finished the year with a 6 percent increase in sales. The company projects another 6 percent increase next year, despite a decline in the overall market for class A motor homes, which carry an average price tag of about \$100,000.

"We're getting a bigger share of a declining market but hopefully that market will stabilize next year," said Stewart Schaffer, Lazydays' chief marketing officer. "Our customers are 55 to 75

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years old and they've saved to afford this lifestyle. They're not going to let terrorists dissuade them."

### **The stable**

Cox Lumber Co.'s sales are tied directly to the new housing market, so 2001 was a very good year. And next year is looking good, too.

"I don't think we'll be setting record sales," said Russ Brandes, executive vice president of the St. Petersburg building materials supplier. "But we're not seeing the bottom fall out of the market either."

Brandes, who has been with the company for 26 years, said the last significant downturn was about 10 years ago. Since then, Cox's sales have been on a steady climb. The only variables are prices of supplies such as gypsum board and roofing felt, which spike during occasional shortages. "You've got fewer and fewer suppliers, so one plant going down can create a shortage in a matter of weeks," Brandes said. "But as long as people keep coming down from the North and moving from one home to another, we'll do okay."

Oscar Horton, president of Sun State International Truck dealership in Tampa, expects slightly lower sales next year as his business rolls through another cycle.

"We'll do \$45-million in sales this year but we've lowered our sights for 2002, down to \$42-million," he said. "And that's from parts and services, not sales of trucks themselves. People are hanging onto their trucks longer despite low interest rates. It's really a matter of waiting out the storm."

In a strong economy, drivers get some cash, strike out on their own and buy an 18-wheeler. When business slows, the truck is repossessed and the driver is unemployed or back on the company's payroll. Right now, Horton said, there's a glut of used trucks on the market and smaller players are getting washed up. "But I think we're near the bottom," he said. "I expect this year to be fairly steady, then things will come back in 12 months."

### **The hopeful**

Alan Sayler's water care business has seen a dramatic shift this year, from commercial customers such as local hotels and manufacturers to residential users.

"In the last three months, we've seen businesses unwilling to spend any dollars they don't recognize as being absolutely necessary," said Sayler, who sells water filters and softeners. "At the same time, residential business has picked up as people try to make sure they've got quality water at home."

To boost business, Sayler intends to add two commission-based salespeople to his work force of five in the coming year. But he's aware that potential commercial accounts are facing the same kind of pressures he has as a small business person, dealing with everything from higher health insurance premiums to a shaky global situation.

"My health insurance went up 31 percent this year, so that was a bit of a bite," said Sayler, who is keeping his eye on local tourism as well as the U.S. military's progress in Afghanistan.

"I had a nice quote on some work at a major hotel here back in the summer," he said. "Then suddenly they shelved their plans when bookings declined. We'll probably get a good idea in January how things are going to go."

At staffing agencies, temporary jobs are still available but the salary range, and resulting commissions, are down considerably.

"We had a pretty severe market shift this year," said Kelly Lalumia, area sales manager for Personnel One. "Now we have a much more cautious employer and lots more people on the market."

Lalumia thinks there will be a pickup in hiring in the first half of 2002 based on reports of new companies coming to the Tampa Bay area. But she said pay would be lower than many unemployed tech workers are used to making.

"It's a different world regarding what skill sets are open now," she said. "There's a huge need at call centers and distribution facilities whereas last year the demand was more for technical and IT workers. We're seeing a return to basics and if people have to change jobs, they may have to take a lower paying job than before."

Local Internet marketing companies are keeping their fingers crossed as they wrap up a brutal year. At Cyberscapes in Tampa, six of 14 positions were eliminated as the company jettisoned technical staffers to focus on marketing and consulting. K.Tek Systems Inc. in Clearwater is down to eight employees from 22 at the height of Internet fever.

"We had to take drastic measures to ensure profitability," K.Tek president Kim During said. "But we expect to be hiring sales and marketing people again in the first quarter."

Both companies said they've seen signs of life in the past two months, as customers begin to invest in Web development, search engine marketing or targeted e-mail campaigns. At Cyberscapes, chief executive Peter Kageyama said the focus is on smaller projects and tangible, measurable goals.

"Marketing dollars are the slowest to come back, but the Internet is considered less expensive than traditional media, so I think it will come back to us first," he said. "It's been a painful year, but we're hopefully better and stronger for it."

While Web consultants such as Cyberscapes and K.Tek were being pummeled this year by one segment of the tech market, Switch & Data was being pinched by the pullback in telecommunications. The Tampa company, which received \$108-million in venture capital in mid-2000, provides space near major fiber-optic hubs for switching equipment owned by telecom and Internet service providers.

Though Switch & Data expected to have 85 sites by the end of 2001, it scaled back expansion plans and canceled leases when customer demand dried up. Today, Switch & Data has facilities in 29 cities and its work force has been reduced to 125 from 160.

"We didn't see all the business we would have expected in a normal, robust market," said Patricia Higgins, who joined Switch & Data as chief executive at the end of 2000. "But we've grown our revenue three and a half times over 2000 and we have a fully funded business plan for 2002."

Higgins said she thinks telecom customers who delayed rollouts this year will begin spending again as the new year progresses and pressure builds from pent-up demand. But she intends to listen carefully to customers before committing to new locations.

"We're a scalable business with the ability to be aggressive," Higgins said. "But we're trying to be quite prudent in today's market."

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