The Road to Recovery

By all accounts the economic conditions are going to remain challenging for some time. Contractors must start dealing with this new normal.

It’s time to shut up and put up. The time for whining about economic conditions, the housing market, government intrusion, lowball competitors, taxes or any of the other myriad factors impeding growth, is over. Yes, those conditions still exist, but they’ve always been hindrances to growth. Are they worse now? Perhaps, but moaning and kvetching like the doddering curmudgeon sitting on his front porch yelling at neighborhood kids to get off his lawn isn’t going to do anyone any good.

This is the market we’ve been left with. And with the housing market — at best plodding along slowly and at worst we’ve yet to see the bottom — still significantly down, prospects for a quick rebound are not looking good.

Blaming someone else isn’t doing you any good. And more importantly, while you’re spending time finding excuses for your lack of progress, other companies have moved forward. They’ve become leaner and more efficient; they’ve found new services to offer their customers; and they’ve grown. In fact there are a number of companies expecting to post at least a 20% net profit this year. (To find out how they did it, read The bottom line, by Editorial Director Marty Whitford beginning on page S7).

Let’s start with the good news. According to Landscape Management’s exclusive Industry Pulse survey more than half of you say sales are increasing (and 10% say the recovery is in full swing). Last year that number was 44% (with 8% saying the recession was over). On the flip side, 6% of contractors expect we’re headed into a double dip recession (last year, 5% thought the recession was worsening).

That data does conflict with a broader survey of small business owners. The National Federation of Independent Business’s optimism index dropped to 88.1 in August. It was the weakest level since July 2010 and the sixth-consecutive decline.

GET YOUR PRIORITIES STRAIGHT

Ranking of Top 9 issues business owners will focus on over the next six months.

1. Maintaining current business/ sources of revenue
2. Growing my business
3. Managing cash flow issues
4. Innovation (finding new ways to do business)
5. Cutting expenses
6. Adding new services to offer more to core clients
7. Employee management (hiring, training, etc.)
8. Adding /improving green/sustainability services
9. Green/sustainable internal improvements (alternative fuels, etc.)

SOURCE: LANDSCAPE MANAGEMENT
Maybe contractors are a more optimistic group. Certainly many in the lawn care segment of the industry were bullish on the future (for more about that see “The year of the weed” in the August issue of LM).

Similarly, when asked to assess the health of their markets, 48% of contractors described their regions as very healthy or relatively healthy.

To be sure, there are challenges out there, many the same ones that have been plaguing businesses for the past several years. A prolonged recession was the option most selected by contractors when we asked their biggest concerns. Second was high taxes followed by consumer confidence.

When asked about issues beyond their control, contractors ranked rising fuel costs ahead of the prolonged recession. Those two were followed by rising health care costs, taxes and lowball pricing competitors.

Interestingly (and in line with our theme), when asked about the issues they plan to focus on in the next six months the top two answers were maintaining current business levels and growing the business. Managing cash flow and innovation (finding new ways to do business) were the next

---

**THE BUDGETING AND PLANNING PROCESS**

Did you prepare a budget for 2011?

Yes 57%
No 43%

Do you have a 3 to 5 year plan?

Yes 53%
No 47%

How often do you review your plan?

Quarterly 24%
Once every 6 months 14%
Annually 30%
I do not have a business plan 32%

---

**TOP 6 SERVICES OFFERED**

1. Spring/Fall cleanup 71%
2. Mowing 70%
3. Seeding 69%
4. Sodding 68%
5. Edging/trimming 68%
6. Fertilization 67%

---

**LOCATION, LOCATION, LOCATION**

The regions in which respondents are located.
highest ranking priorities. Next was cutting expenses, which suggests that while still important, many companies have already worked through that often painful process.

And some of that hard work is starting to pay off. Nearly one in 10 companies responding to our survey expect to earn more than 20% net profit by the end of the year and another 12% should bring in between 16% and 20% net profit. In other words, one in five contractors are earning more than 16% profit in this economy. On the flip side a nearly equal ratio expects to earn less than 4% in 2011, so there is still work to be done for some companies.

On the following pages are a number of stories and strategies that many of the most successful companies have employed to increase their revenues and their profits.