

# The Bottom Line

*Three landscapers share how they routinely record profit margins of 20% or more.*



**P**rofit. Gain. Net. Proceeds. Margins. Its list of aliases is extensive. But no matter the words — or language used — at the end of the work day, it's all about “the bottom line.”

When it comes to building in solid profit margins, some landscape professionals get it. Some don't.

Despite the plethora of challenges posed by the “Great Recession,” several respondents to *Landscape Management's* Industry Pulse survey report they routinely record profit margins of 20% or more. Sweet cabbage! Now there's a positive trend worth looking into, and trying to mirror.

Here are profiles of three such margin leaders in the landscape industry and how they're typically “winning” more profit than many others:

## Growing green

Keith Fisher, owner/operator of Growing Green Lawn Care LLC, projects the Lawrenceville, Ill.-based company will increase sales 27% and margins more than 20% this year. Fisher's crystal ball shows the firm maintaining 20% margins in 2012 with a 14% revenue boost.

Fisher cites five key areas the six-employee operation has built margins in 2011:

**1 Controlling fuel costs** — “We shop around for the best fuel prices, and we pay in advance and purchase in

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% revenue boost in 2012.

bulk for better discounts. We also regularly tighten our scheduling and routing to best suit both our company and our customers.”

**2 Purchasing products at reduced costs** — “We constantly embark on exhaustive searches that pinpoint the best products at the lowest prices, again taking advantage of discounts by paying in advance.”

**3 Managing employees better** — “Accountable, trustworthy, committed employees are the key to a better company and a better bottom line. We help our associates best manage their time and resources — without ever compromising quality.”

**4 Increasing labor efficiency** — “We routinely upgrade our equipment with more-efficient tools and our people with continual, hands-on training.”

**5 Overhauling the company's website and expanding digital marketing** — “We're better leveraging the Internet to educate consumers, offer special promotions, and more quickly and cost effectively build our brand and business.”

Fisher says landscapers must closely control both sides of the profit margin equation: costs and pricing.

“We cut costs primarily through proper planning and execution, close communication with customers and coworkers, and closely managed daily workloads,” Fisher says. “We boost pricing by



employing trained professionals who provide the best quality work on budget, on time.”

Most customers care as much about the timely delivery of quality work as they do project pricing, Fisher concludes.

“Want to maximize your margins?” Fisher asks. “Employ only the best to deliver the best. Make each customer feel you are his or her top priority. Always go above and beyond. Always leave them feeling like they’re getting more than they’re paying for — even though your bottom line knows different.”

**Solomon says...**

Solomon Services LLC is on track to hike sales 95% in 2011. Equally impressive, the Denver-based company has bolstered its profit margins 3.5 percentage points this year, to 24.5%, adds Tom Teehan.

Executive vice president of the 30-employee company, Teehan forecasts Solomon will record 2011 revenue of \$1.27 million. 2012 looks like

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% increase in net profits over two years.

more of the same goodness, with sales expected to rise 65% to \$2.1 million, with a 22% profit margin.

The bottom line for Solomon is expected to soar from about \$136,500 in 2010 to \$311,150 this year to \$462,000 in 2012. That’s a 238% increase in net profits over two years.

Teehan says Solomon bolstered its margins this year by better leveraging technology and increasing sales and margins with new clients, as well as with existing snow removal, design/build and irrigation customers.

On the cost-cutting front, Teehan suggests landscapers:

→ Take the time upfront to develop processes for day-to-day activities. “Before our crews leave the shop in the morning, they go through check lists — we call them ‘pre-flights’ — for all trucks, trailers and equipment, ensuring crews have all the tools and materials needed to complete all jobs scheduled for that day.

→ Train, train, train. “A smart employee is a cost-effective employee. All Solomon employees

are offered training both onsite and through various programs offered by vendors and associations we belong to.”

Teehan says landscapers must become intimately familiar with their cost of goods (COG).

“This is where the rubber meets the road,” Teehan adds. “If you don’t know exactly what it costs to do the work you’re quoting, you’re doing a great injustice to yourself and the client. Ultimately, you might leave money on the table or set yourself up for failure by not having enough money built into the job.”

Another of Teehan’s tips is, “Sell your service — distinguish yourself.”

In Colorado, Solomon has several, smaller competitors. Teehan says they tend to sell mostly on price. While it helps some break into markets, a “low price leader” tactic typically results in diminishing returns for the companies and the industry as a whole.

“Often, the landscaper can’t maintain the property for the amount negotiated for that long,” Teehan notes. “Eventually, the service level drops accordingly, the client becomes frustrated and the service provider loses the client. The industry also suffers as the customer is either lost from our pool of prospects or he or she returns with unrealistic low price expectations and a general distrust of landscapers.”

Two more bidding tips from Teehan include:

→ Let the prospect tell you what he wants. “I ask the prospect to share how long he’s been at the property, what are the features he likes and dislikes, what are the positives and negatives of current or past service providers and what landscape budget he has in mind. This process sets you up for realistic expectations as well as for upsell opportunities.”

→ Be honest and perform your work with integrity. “In our industry, there tends to be a perception of ‘smoke and mirrors.’ By creating what we call a ‘trust bond’ with each client, we put ourselves in a

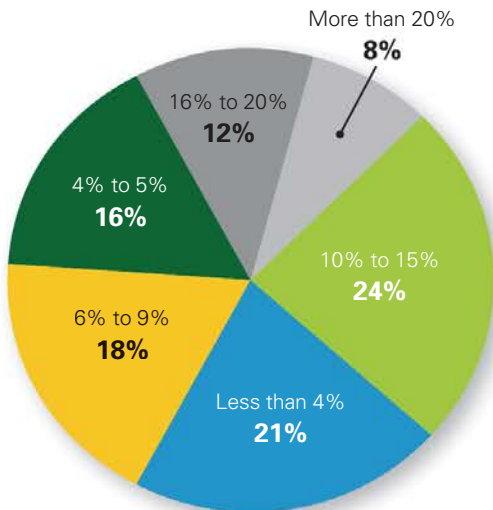


position to be a valued resource, and even a partner on certain projects. Don't be afraid to tell the client a project might not yield the benefit he is expecting — because of his budget limitations and/or the timing of the project. Take the time to educate your clients about the how and why you do the things you do, so you are the perceived expert. Sell value — and then deliver it, every time."

## PROFIT CENTER

What do you project your net profit will be by the time 2011 ends?

SOURCE: LANDSCAPE MANAGEMENT



DUE TO ROUNDING, GRAPH ADDS UP TO 99%



Robert Haddad

## HADDAD'S HAMMOCK

"The better your margins, the more time you can spend relaxing in a hammock," half-jokes Robert Haddad, owner of Atlanta-based Haddad Landscaping.

Haddad finally has a positive outlook for his two-employee, small landscaping business. Haddad Landscaping's annual revenue has dropped every year since 2005. The company's 2010 revenue was about 75% of what it was in 2005.

"It's been absolutely vicious out there," says Haddad, who's been in the landscape business 37 years. "Fortunately, we've bottomed out.

There's nowhere to go but up — with sales and margins."

And up Haddad Landscaping is headed. Haddad forecasts a 10% climb in sales this year, with 30% to 35% net profit. 2012 should be even better.

"We're pricing and working smarter," Haddad says.

One of Haddad's margin-building tips is landscapers should be more selective in both the clients and work they take on.

"Do your math — upfront," Haddad says. "Don't ever take business for the sake of business alone. We might lose nine out of 10 bids, but I guarantee the ones we win have solid margins. They're worth our time."

Haddad advises landscapers to establish and stick to profitable pricing principles.

"Another key is being debt-free," Haddad says. "We don't have vehicle or equipment overhead. That really helps us protecting our pricing and profit margins.

"Plus, I'm a hands-on owner," Haddad adds. "Our labor typically is 20% or less of our tab. The more I do, the more I keep."

“Don't ever take business for the sake of business alone.”

- Atlanta-based Haddad Landscaping owner Robert Haddad

