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Stretch your capacity rubber band

Part one of a multi-part series.

I promised I would drill down into the high-profit benchmarks from my 2008 survey. So here's the first take-home: High-profit companies operate leaner. Their pricing is not better — market competition sees to that — though they do seem to have fewer larger accounts than the average-profit companies. What they do well is minimize available capacity in labor, equipment and overhead office/management staff. They do the same amount of revenue with fewer people and trucks. They are really tight with their money. How many fewer people and trucks? See the chart on the right.

Using an equivalent $2 million firm, the average-profit firm achieves about 8% net profit before taxes. By comparison, the highest-profit firms see about 14%. If we assume that 10% of direct cost is for materials, that leaves the difference in direct labor. If we assume an average wage rate of $12.50 per hour (this includes payroll taxes), the high-profit firms turn the same revenue with 3,200 less labor hours. This is equivalent to about two full-time (FT) people in most markets, given seasonal schedules. Thus, the gross profit margin is higher (54% vs. 52%), with an annual savings of $40,000.

High-profit firms have an average overhead of 40% of sales, while the average-profit firms are a little higher, at 44%. This dollar difference is equal to $80,000. The primary expenses in overhead are equipment costs and non-billable staff costs (supervisors, managers, sales, office). By employing one less truck/trailer and one less manager (see chart), the high-profit companies achieve this result.

I calculated the cost of the annual average truck usage — including vehicle depreciation, fuel, repairs, equipment, etc. — and we know the cost of an account manager. These numbers are real, though they may vary +/- 10% for your neck of the woods.

The bottom line is that high-profit companies turn the same revenue with less capacity. Laborers, trucks and managers are capacity you hire to generate revenue. The highest-profit firms seem to stretch capacity before adding more. It is a tricky thing to do, as you probably have experienced. Almost everyone who works for you will tell you they need more people, trucks and help. The challenge is to add the capacity more slowly than they want it. The capacity rubber band stretches more than most of us think.

My recommendations? If you are not growing revenues this year, reduce labor head count in the field, as well as with supervision and office staff. And if you are adding revenues, do it without adding trucks and supervision/office staff. Try it. It's the lean challenge. You must ask yourself and your key people, "Where can we reduce capacity?" To answer it, you will have to call into question many of your assumptions about running your business. This is a good thing. The payoff in capacity reduction is high.

<table>
<thead>
<tr>
<th>Average</th>
<th>High Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Gross margin</td>
<td>$1,040,000 (52%)</td>
</tr>
<tr>
<td>Overhead</td>
<td>$880,000 (44%)</td>
</tr>
<tr>
<td>Net profit</td>
<td>$160,000 (8%)</td>
</tr>
<tr>
<td>Assume</td>
<td></td>
</tr>
<tr>
<td>Average Hourly Wage</td>
<td>$12.50</td>
</tr>
<tr>
<td>Materials Cost</td>
<td>10%</td>
</tr>
<tr>
<td>Result</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>$200,000</td>
</tr>
<tr>
<td>Labor</td>
<td>$760,000</td>
</tr>
<tr>
<td>Labor hours</td>
<td>60,800</td>
</tr>
<tr>
<td>Labor hour difference</td>
<td>3,200</td>
</tr>
<tr>
<td>Labor cost difference</td>
<td>$40,000</td>
</tr>
<tr>
<td>Overhead difference</td>
<td>$80,000</td>
</tr>
<tr>
<td>Total cost difference</td>
<td>$120,000</td>
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</tbody>
</table>

How it's done

<table>
<thead>
<tr>
<th>Annual cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two less crewmen</td>
</tr>
<tr>
<td>One less truck/trailer setup</td>
</tr>
<tr>
<td>One less manager</td>
</tr>
<tr>
<td>$127,200 (One $45,000 person with benefits/expenses)</td>
</tr>
</tbody>
</table>

Average High Profit
- Revenues: $2,000,000
- Gross margin: 52% (8% net profit)
- Overhead: 44%
- Net profit: 8%
- Assume:
  - Average Hourly Wage: $12.50
  - Materials Cost: 10%
- Result:
  - Materials: $200,000
  - Labor: $760,000
  - Labor hours: 60,800
  - Labor cost difference: $40,000
  - Overhead difference: $80,000
  - Total cost difference: $120,000

High Profit
- Revenues: $2,000,000
- Gross margin: 54%
- Overhead: 40%
- Net profit: 14%
- Assume:
  - Average Hourly Wage: $12.50
  - Materials Cost: 10%
- Result:
  - Materials: $200,000
  - Labor: $720,000
  - Labor hours: 57,600
  - Labor cost difference: $40,000
  - Overhead difference: $80,000
  - Total cost difference: $120,000

The bottom line is that high-profit companies turn the same revenue with less capacity. Laborers, trucks and managers are capacity you hire to generate revenue. The highest-profit firms seem to stretch capacity before adding more. It is a tricky thing to do, as you probably have experienced. Almost everyone who works for you will tell you they need more people, trucks and help. The challenge is to add the capacity more slowly than they want it. The capacity rubber band stretches more than most of us think.

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- 16-0-5 50% LSN .38 Barricade
- 16-0-5 50% LSN .13 Dimension

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ABOUT 20 MILLION people — 40% of those in infested areas — feel the nasty sting of fire ants every year. Arriving in the United States in the 1930s, fire ants reportedly occupy more than 300 million acres, or a landmass nearly twice the size of Texas, and cause $6 billion in damage annually nationwide.

It's time to silence the sting of fire ants. That's why we've partnered with major chemical manufacturers this month — to provide a snapshot of leading-edge pesticide tools and offer application tips to help lawn care operators (LCOs) extinguish these pests.

» A targeted approach
Lee Bloomcamp, a Syngenta Professional Products' territory manager in Florida, says an added “plus” for Award fire ant bait with the active ingredient (AI) fenoxycarb is that it's designed to not kill non-target pests.

“If native ant populations are disrupted, the rapidly reproducing fire ants can quickly gain the upper hand by their sheer numbers and fierceness — and that's the last thing LCOs and their customers want,” Bloomcamp adds.

Long-term fire ant control typically takes about two to three months for total mound collapse, says Bloomcamp, noting LCOs can use Syngenta's Scimitar CS contact insecticide directly on mounds for immediate individual treatments.

“We guarantee at least 90% control of fire ants after two Award applications, typically done in the spring and fall. In extreme cases in South Texas and Florida, we recommend three Award applications,” she says.

When broadcasting fire ant bait, LCOs should use different spreaders than they use for fertilizers. Otherwise, the fire ant bait's AI carrier might absorb salts from the fertilizer and decrease acceptance of the bait. For a limited time, LCOs can earn a complimentary new Herd spreader when purchasing 300 lbs. of Award.

www.syngentaprofessionalproducts.com

» Technology advancements
Dr. Kathie Kalmowitz, technical specialist, BASF Turf & Ornamentals, says baits are still the most cost-effective solution to deliver the most-consistent control. Better still, she adds, is when LCOs deliver topical applications of a liquid insecticide with the AI bifenthrin to visible mounds, followed by a broadcast lawn application with a fire ant bait containing an insect growth regulator (IGR).

BASF's Amdro Pro eliminates the continued on page 56
Echelon® turns follow-up applications into a much smaller job.

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Imagine a spring herbicide application that controls crabgrass, goosegrass, yellow nutsedge and green kyllinga, all the while dramatically reducing broadleaf weeds. It's possible with Echelon® herbicide from FMC, the preemergent crabgrass solution engineered to do more in a single application than any other product. And with less need for follow-up applications, Echelon saves you time, labor and herbicide costs. Get more out of your preemergent crabgrass application with the maximum control of Echelon. For more information about Echelon herbicide, log onto fmcprosolutions.com or contact your local FMC Sales Representative or FMC Sales Agent.

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Fire ant tunnels can extend 100 feet from mounds, but broadcast bait helps provide blanket control for susceptible areas such as sports fields.

continued from page 54

Fire ant queen and her colony within seven days of a mound treatment, and rids the entire area of fire ants within two weeks of a broadcast application, Kalmowitz says. Its AI, hydramethalon, is an electron transport inhibitor that eliminates the pests' energy sources.

 reversed text

Drench the drama

LCOs can apply diluted (0.1 fluid oz./gal.) of Dow AgroScience's Conserve SC (AI: spinosad) to individual fire ant mounds as a drench application. For mounds 8 in. in diameter or smaller, LCOs should use 1 gal. of dilution; larger mounds should be treated with 2 gals. of the solution.

Mark Urbanowski, Dow AgroScience's senior marketing specialist for turf, ornamental and technical products, warns LCOs to not disturb fire ant mounds prior to applications. Pressurized sprays should not be used, as they might disturb the ants and cause migration, reducing control. For best results, the sprayable suspension concentrate, which works on contact as well as through ingestion by the pests, should be applied in cool weather (65°F to 85°F).

www.dowagro.com/turf/prod/conserve.htm

continued on page 58
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Rain Bird's 4-station ESP Modular Controller is less expensive than the 3-station Pro-C modular controller offered by Hunter®. The ESP Modular also delivers advanced features like Contractor Default® program recall, a wide seasonal adjust range and extremely simple programming. The results — precise irrigation control and more money in your pocket. Now that’s The Intelligent Use of Water.™

SILENCING THE STING

continued from page 56

» A 1-2 combo
Rick Ekins, product manager for FMC Professional Solutions, says FMC's Talstar products are widely used for fire ant control in either a single or two-step process. Many LCOs use Talstar Professional to directly treat mounds and Talstar EZ Granular Insecticide as a broadcast application across turfgrass areas to provide long-term residual fire ant control in commercial and residential settings. Some LCOs use one or the other, depending on the situation, but many use the 1-2 Talstar combo. Both products feature bifenthrin as their AI.

www.fmcprosolutions.com

>> Fast and longlasting
Advion fire ant bait, featuring the IA indoxacarb, offers LCOs the benefits of both baits and contact insecticides, says Nancy Schwartz, DuPont Professional Products' marketing manager for turf and ornamentals. DuPont's Advion provides total colony control in 24 to 72 hours. It takes just one or two applications to achieve year-long control — at an annual cost per acre that's more affordable than many other products.

"An increasing number of LCOs are looking for environmentally smart products that don't compromise on performance," Schwartz says. "There is a growing interest in products such as Advion that have earned a 'reduced risk' designation from the EPA."

Schwartz's technique tips include applying the bait when the soil surface temperature is above 60°F and air temperatures are between 75°F and 90°F, and not applying if the grass is wet with dew, rainfall or irrigation, or during excessively hot periods of the day.

www.dupont.com/Professional_Products/en_US

» Control choices
Bayer Environmental Science's TopChoice granular insecticide provides control of fire ants for up to a year, as well as control of mole crickets for four months, with a single broadcast application. While an application in the late winter to early spring is recommended, TopChoice can be applied any time throughout the year.

Bayer's Maxforce FC Fire Ant Bait also provides effective control of fire ants with its Simply Irresistible formula and the exclusive Maxforce Domino Effect.

In addition, TopChoice + Fertilizer offers the power of fire ant control with valuable nutrients needed for healthy turf. In the first week after rainfall or watering in, TopChoice + Fertilizer reduces active mounds twice as fast as TopChoice alone, says Jason Kuhlemeier, business manager – insecticides, lawn and landscape market lead, Bayer Environmental Science.

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To learn more, visit www.hortica-insurance.com or call us directly at 800.851.7740.
Never a dull moment— or pencil

I took *zwei Jahre* (two years) of German in high school. From Day One our teacher, Frau Kutsko, made us learn two phrases in German: “May I go to the bathroom” and “May I sharpen my pencil.” If you couldn’t ask in German, she wouldn’t let you.

She told the possibly apocryphal story of the student who, while taking his final exam, broke his pencil tip but couldn’t remember the right phrase. Despite his pleas, she would not allow him to use the sharpener. With tears of frustration and anger he had to sit there and pick away at it until he could expose enough lead to write.

Years later, I remembered very little of my German — how to count to 100, a few stray words and how to ask for permission to sharpen my pencil. I can’t remember how to ask for permission to use the bathroom. I guess I never had to go during class.

A few years ago, we planned a trip to Switzerland and Germany, and I was teaching my children the one very important phrase I could remember (which would, no doubt, come in very handy should we experience a highly distressing emergency where someone’s writing implement failed).

In the couple of months leading up to our trip, my children finally mastered the phrase: “Du bist ein bleistiftenspitzen” — the pronunciation of which had all the nuance of a car motor refusing to turn over in the cold. German, however utilitarian, is not a pretty language.

Anyway, we arrived in Switzerland and related the story to a family friend who speaks wonderful German and helped us during our stay there.

Our German-speaking friend promptly explained that the phrase embedded in the nether reaches of my brain had slowly transformed (either that, or my German teacher had a wicked sense of humor). “Du bist ein bleistiftenspitzen” actually means “You are a sharpened pencil.”

Fortunately, we learned of the mistranslation early on and avoided an international incident. I shudder to think what would have happened if I’d uttered that phrase to a bitter former East German. Needless to say, my wife and children have never let me live that down.

I learned a great many things in school, German clearly being an exception. But like so many times in life, it is the unintended lessons that stick with us:

> If you don’t maintain your skills, you will lose them. I stopped studying German after two years. We already know the results there.
> Don’t trust your memory. If it’s important, write it down and refer to it often.
> Whenever you’re in a foreign country, never pretend to be a master of their language. There’s a caveat here, though: While most people around the world speak at least passing English, we found that a sincere attempt to use the native language was a gateway to guidance and good service.
> And perhaps most important of all, never, ever make a mistake in front of your children that will allow them to make fun of you. OK, that’s not going to happen — but a guy can dream, can’t he? Actually with two teenagers at home, it’s more a question of what *don’t* I do wrong. But that’s for another column.

And finally, with apologies to Frau Kutsko, I leave you with this thought — thanks to the help of an Internet translator: *Mai bleiben alle Ihre Bleistifte scharf*, or “May all your pencils remain sharp.”