

REVIEW OLD BUSINESS IDEAS FOR USE IN TODAY'S MARKET

By Dave Johnstone, business columnist

It's hard to believe that only 22 or 23 years ago, the American Seed Trade Association's National Garden Bureau launched a community beautification campaign at North Tonawanda, New York, spearheaded by the local newspaper and involving local garden clubs, schools, school children, and just about every community element. At about the same time, Pontiac State Hospital in Michigan began to construct gardening programs for inmates which it termed "Horticultural Therapy" and city blocks in Philadelphia's blighted neighborhoods began to install window boxes. Most of these very promising efforts have run down, although an occasional garden club still dresses up a railroad station with petunias once a year, and various agencies of the federal government are plugging vegetable gardens as an inflation/poverty fighter in their news releases.

Polish Up Old Ideas For Local Application

Some of those concepts are still viable. Community relations aside, if you get the contract for cleaning up a creek and installing walkways or preparing vegetable garden beds, it's plus business. One general disadvantage to this type of thing: you usually have to take the time, effort and budget to sparkplug the program and see it through, as well as to provide for volunteer group labor, which is sometimes difficult to manage, and sometimes easy.

Be careful not to foreclose a new idea or approach before it's been tested. Example: There is a section of town adjoining a park and comprised of old mansions — not huge buildings but substantial homes. These homes are now all cut up, but because there has been a tradition of using outside grounds maintenance service in the neighborhood, this service has been continued. Two blocks away, the same conditions exist, except there has been no tradition of using outside grounds maintenance; yet, the homes are all cut up. There is now a strong reason to go that route; and even where the entire yard must be devoted to resident parking, there are possibilities for blacktopping, graveling, and even barrier planting of young trees to define property lines and improve appearance. These potentials are highly visible, but not to someone who says to himself, "There's never been any business in this neighborhood."

Rehabilitation is Probably Best Bet

Contrary to reports, new building and land development has not completely halted, although it is not especially brisk. In this economic climate, rehabilitation probably provides the best poten-



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tial. Keep your eye open for properties, projects, and neighborhoods where rehabilitation and remodeling is contemplated. Conversion of old railroad stations, fire houses, school buildings, and warehouses into shopping strips, residences, and restaurants is still proceeding, and every such conversion should have a Green potential of some kind.

Rehabilitation of properties can make up for a slowdown in new building starts.

Where do you get your leads on these developments? From construction publications, of course (remember, you're as much a builder as any bricks-and-mortar trade), and bid advertising in the legal want-ads, but primarily from community involvement. Often, by the time projects are announced and bids are let, the details have been cast in concrete. Since they're called in at an early stage, architects are productive contacts. See if you can't become an associate member of your local or state contractors' organization as well as of the American Institute of Architects chapter.

There are two essentials you may find difficult to grasp: 1) as a going business, your operation has more elements in common with the building field than with arboriculture, horticulture, or agronomy from the standpoint of finances and market segments; and 2) the labor, equipment, materials you apply to a given task have their only economic importance as contributors to your operation's profit margin (we're not talking about subjective values, only about money values).

You have to evaluate prospective business (especially business with which you may be somewhat unfamiliar) from the bottom line. Community organization projects are great, but will the expense of supervising unsteady volunteer labor

Continues on page 42

do you in? Are you free from an implied or explicit liability in directing volunteer labor? Has the sponsor given you an ironclad "hold harmless" contract that will hold up in court? Can the sponsor give you such a contract, without unlawfully waiving the inalienable rights to judgment of any injured people? Will you be able to keep the crowd at a safe distance from your equipment?

Quantifying All Costs is Difficult

In estimating and costing, a computer can be invaluable. Ideally, each step of a job should be

Equipment has two lives, a functional life and an economic life.

costed out from the standpoint of labor, equipment, live and inert materials, and proportion of general overhead that can be assigned to it. The cost of labor includes recruitment, fringe benefits, and overhead required to manage it.

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The cost of equipment includes purchase price with all freight charges and taxes, or rental charge, and depreciation if the equipment is owned, fuel, and maintenance expense (parts and labor or outside service).

Equipment has a functional life and an economic life. The functional life of course refers to the length of time it can perform work. The economic life refers to the length of time it makes a positive contribution to profit. We would modify the definition of economic life a bit to accommodate technological obsolescence. Incorporation of a new feature or accessory can multiply profitability to the point where existing equipment, while still making a contribution to profit, cannot be considered adequate. Economic life, then, is the length of time equipment makes the greatest possible contribution to profit.

Your computer should be programmed to evaluate both people and machines as individual contributors to profit. You need not act on the evaluations, but you should have them at your fingertips. They can be computed quite easily by subtracting all associated costs from gross income generated, but you have to log correctly all costs. Unless you're an accountant, this kind of close and careful record-keeping may be a big fat headache. One of the great difficulties of installing a computer is that it imposes detailed accountability, which free spirits sometimes find hard to swallow.

Pinpointing Profit Contribution of Equipment

As far as equipment is concerned, you first tally its cost by adding purchase price, delivery charges, taxes, finance cost, insurance, and licenses (or, alternatively, rental/leasing cost). Then you attempt to estimate economic life (not functional life), disposal value (if any), and replacement cost, remembering to factor in inflation, which can be as high as 20%-25% on machinery. The procedure is something like this: Equipment Cost plus Estimated Service Cost less Disposal Value plus Replacement Cost; divide result by Economic Life in years to get rough Running Cost; add cost of Operator, Fuel, and Transportation to Job Sites to smoothe Running Cost. Set up an Equipment Utilization report on your computer to relate Sales Volume generated by the individual machine to its Running Cost and to your Overall Volume and Profit. Detail number of hours used and number of hours available. Both statistics are important: If a machine is down most of the time but generates a large volume when it does work, it may be profitable, common sense to the contrary. All this information can very probably be placed on an Individual Machine Record and extracted for the Equipment Utilization report. But don't attempt such record-keeping without a computer.