

DIVERSIFIED SERVICES

Does your landscape contracting company need more revenue? Before you decide to diversify your business, consider these points.

by Rudd McGary and Ed Wandtke

The landscape contractor's desire to find more capital often results in a wide range of additional revenue-generating options. Four issues need to be addressed before you undertake a new business venture.

1. Define the target customers to whom you have been most successful in offering your services. In order to do this, you will need to answer the following questions: "Where has your company gained its reputation in the market?", and "What is your competitive position in the market?"

By knowing the segment of the market in which you have been successful, you can better decide what additional diversification will complement your current position.

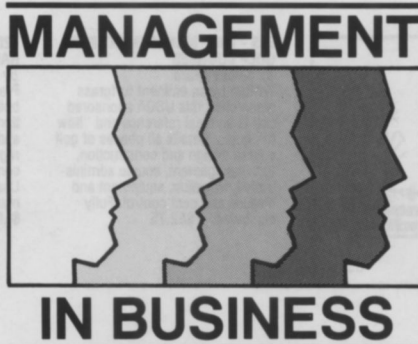
2. What technical and business skills does your company possess? You should assess both the management and employees that you have on the payroll full time. Identify specific skills and voids in the company.

3. What equipment do you currently have and how much is it utilized? Is the equipment more suited for residential or commercial work?

Many companies acquire equipment unique to specific jobs and then forget they have it. Some firms don't even keep inventory records of this equipment and thus have to repeatedly purchase new equipment each time a job calls for its use.

4. Where is the market opportunity most likely to be over the next five years? This can have a geographical answer or be answered by determining the type of services or products that your customers will be most likely to purchase from another firm with your expertise.

The answers to these questions will help you define where your strengths and opportunities are. This will guide you in determining if you should direct your additional services toward residential or commercial cus-



tomers. (Although the direction may not be overwhelmingly clear.)

Be willing to make some decisions based on less-than-complete information.

Selecting services

Now that you have some directional ideas, the next action is to select the services to market. The targeted customers will be essential. Research done by AGMA in the fall of 1986 indicated that landscape services were not purchased based on advertising, but rather they were chosen because of reputation and referral.

You can market a diversified mix of additional services and products with a high degree of credibility as landscape contractors.

The most frequently-chosen of these are irrigation systems; porch, deck and retaining walls; concrete and brick patio additions; lighting systems integrated into a renovated landscape; natural waterfalls and fountains; gazebos; Japanese gardens; arbors and fences.

While this list is not endless, it does identify some of the problems most landscape contractors face when a potential customer asks, "What type of work do you do?"

If you respond generally that you do everything, how can a customer really feel comfortable that you can handle the project? It's much wiser to indicate that your firm focuses on residential, commercial, or industrial landscape services.

Consumers are not comfortable buying from a company that does not

know where its distinctive competence really lies. In choosing the services to add to your basic landscape construction business, it's important to determine whether the new service is complementary to your current business or supplementary.

Do consumers see the service or product as a natural extension of your expertise or will the new service or product not build on your past reputation? In addition you should consider the profit impact of the new diversification.

Plan for more

Most companies assume that their new venture when added to an existing business will automatically start off profitably. Nothing is farther from reality. In addition, if you assume the new venture will only take a little additional time, you will be unpleasantly surprised how demanding the new venture is.

The capital needed to launch the venture will generally be more than was planned, so keep some funds in reserve.

Finally, if you personally do not have people trained in the technical expertise for the new venture in the company, get them at the outset. Bring the new person in to lead the venture and pay the person to see that it is successful. Don't dilute current management unless you have excess personnel, or else your current business will suffer.

In conclusion, it should be apparent to most landscape contractors that the opportunities to diversify your company are endless. Taking time to plan the action, having a map to check the performance against, recruiting technically competent personnel, and knowing the market you intend to sell to all are necessary before the diversification will be successful at most companies.

Often overlooked when launching a diversification is the fact that your current and past customers are the greatest marketing base you have for your company. Select your new venture with the knowledge that you will use this asset to grow your new service. **WT&T**

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