# LAWN CARE INDUSTRY

# *Overhead:* a vital part of profit-making

**Consultant Charles Vander Kooi says you don't start making a profit until you pay 'the bill in the night.'**

■ When Charles Vander Kooi finally leaves this friendly world, he wants just two words chiseled onto his tombstone: *"overhead recovery."*

That's exactly what he told lawn care professionals at this past November's PLCAA conference in Baltimore.

(Hey Chuck, what's wrong with "business consultant?" Or "longtime construction industry guru?")

Vander Kooi says he wants contractors to always remember him and the two words *overhead recovery* synonymously. Forever. That's how crucial he feels these two words are to the continued business survival of any contractor, including landscape contractor.

Contractors *must* have systems to recover overhead if they want to stay in business, i.e. make a profit. If they don't have ways to recover overhead, it will strangle a company as surely as the sun rises every morning, says Vander Kooi.

In fact, he insists, a contracting business can suffocate even with money coming in and everyone busy. It will die because no profit is dribbling out. This so-called profit is being absorbed by overhead that isn't being rightfully recovered from customers.

Vander Kooi has a rather dramatic way of describing overhead: he calls it "the bill in the night."

It *always* comes due, he insists, every nickel, dime and quarter. It's *never* forgiving.

"Overhead is a lot more of a fixed cost than most contractors would understand," says Vander Kooi.

Successful contractors "recover" overhead in large part, through pricing/bidding systems based on a realistic understanding of the true costs of operating a business, particularly the true costs of overhead, he explains. It takes some digging to really nail down overhead because costs are often hidden in twilight areas.

Usually these expenses can't be billed directly to customers but they *must* be recovered nonetheless. They include, among many others, the expense of getting to and from jobs, or the cost of disposing of landscape wastes arising from work on a customer's property.

In truth, Vander Kooi says, a contractor should look at overhead as "the family budget of the business."

And, just like a budget, contractors must determine what their overhead is going to be prior to starting a business season. "You have to project a future overhead that you will recover over future jobs," he says.

The reason is obvious, he says. No business can make a profit until it's paid off its overhead. In landscape contracting, this is typically anywhere from mid-October to early November.

That's why instead of slowing down for the holidays, Vander Kooi says this is the time for landscape contractors to "put the pedal to the metal" and maximize production and profits.

Even then, says Vander Kooi, the national average of profit for both low-risk (those who sub-contract out most work) and high-risk (those who hire and manage a lot of labor) contractors is about two and three percent, respectively.

*—Ron Hall*

## Valuable pricing tips

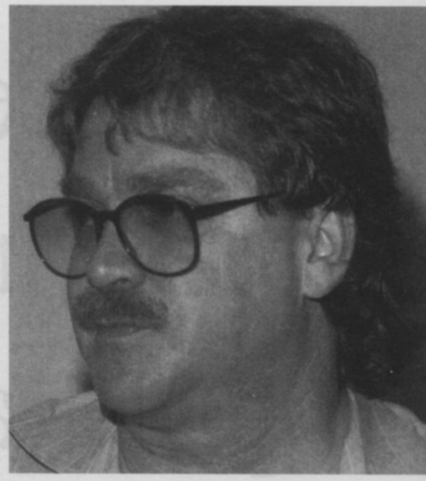
■ Every contractor should review their pricing system to see if it meets the following four criteria, says business consultant Charles Vander Kooi:

**1)** Does it give the owner the ability to know where every dollar that is spent comes back to the company through its prices?

**2)** Is it able to compensate for the variables that exist from job to job, from property to property? "I've never, ever seen two jobs identically alike," says Vander Kooi.

**3)** Does it give the owner the ability to control the job *and* the company more? (Simply put: getting the job done at a price "that leaves a profit.")

**4)** Does it give the owner the information needed to make good business decisions? (Not decisions based on emotion or a "gut feeling.")



**Charles Vander Kooi urges contractors to calculate 'true' costs before putting a price to their services.**

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