A tale of 2 LCOs

Here's how two lawn care companies in similar-sized markets stack up in PLCAA's first Operating Efficiency Study in 10 years.

by DICK BARE / Arbor-Nomics Lawn Inc.

PLCAA's 1995 Operating Efficiency Study allows LCOs to compare their operations against others across the nation. This is the first PLCAA study of its kind in 10 years. It was prepared by Wall-Bruning, Columbia, S.C. Its author was Lewis Browning.

We talked with owners of two companies participating in the PLCAA study. Both said it showed them areas they could improve in their operations.

(The names of the companies and owners are fictional, but the details—as far as the owners are comfortable sharing them—are true.)

Ken Careful runs a 10-year-old franchise of Lawn & Order, Inc. The franchisor has multiple locations, mostly in the East, but is moving into the Midwest, too. Ken owns an office, warehouse and 11 trucks with 22 to 24 employees including the office and telemarketing staff.

L&O Inc. is split 90/10 turf/tree respectively, with about 70 percent of $1.1 million in gross sales from commercial accounts.

Ken's a nuts-and-bolts operator, serious and quiet. He works out daily, eats healthy, and gives his three veteran managers freedom to run most operations.

Ken studied accounting in college, then started entry level at the then-fledgling L&O. The new company set its sights on overtaking older and more settled competitors through aggressive telemarketing.

It didn't take Ken to recognize the importance of numbers, and he quickly rose to branch manager for one of L&O's largest branches. Both he and the branch profited. Now he runs his own franchise.

Grate Funn, by contrast, is flamboyant, free wheeling and, on occasion, free spending. Because he sometimes spends more than he should, his company's growth has been erratic, occasionally plateauing while he paid back debt.

His Superior Lawn Care, Inc., targets high-end residential and is known for high-quality service. Gross sales are split almost evenly between turf and tree/shrub with an emphasis on consulting.

Grate's company isn't as large as he'd hoped when he started it almost 20 years ago. Nor is it as profitable. Even so, by most standards it's successful, and it still retains its friendly, small-company culture.

Also, unlike Ken—who has little debt and whose company has grown steadily—Grate runs most day-to-day operations himself, including purchasing, promotions and sales.

He counts on a highly-paid commission system to motivate his four, sometimes five, technicians.

Another notable difference between the two companies is that Ken's strong telemarketing presence keeps sales strong, but its 45 percent cancellation rate (20 percent unhappy), more than doubles both of Superior's rates.

The PLCAA study is divided into categories analogous to those found in a standard General Accounting report. All companies were ranked by profits. The most profitable were called "upper quartile" and the second and third quartiles were averaged to arrive at the "typical" company.

Browning, the study's author, says this provides a usable set of averages from which can be derived comparative information which will balance financially as opposed to "median" data which can be thrown off by abnormally high or low performances.

The study reinforced Ken's belief that bigger is better. Companies with more than 4,000 accounts and $1 million in sales fared better than smaller companies like Grate's.

It also pointed out some advantages of a franchise since almost 30 percent of the participants were part of a larger parent company. This affiliation brings with it an established name, and training to help licensees avoid pitfalls.

Also, the franchise did better in the cost of materials. The larger companies in the upper quartile reported spending 10.7 percent while typical companies spent 15.7 percent. The larger size helped, but perhaps the buying power of the parent company

Comparing Companies

"Lawn & Order, Inc."		"Superior Lawn Care, Inc."
franchise	type of company	individually owned
serious and quiet	owner's demeanor	flamboyant free-spender
commercial	target market	high-end residential
90% turf, 10% tree	type of accounts	50% turf, 50% tree/shrub
three managers	key employees	four or five technicians
aggressive telemarketing	sales ploys	commission system
loose routes	productivity	high dollars per stop
low	debt	high
45%	cancellation rate	20%
10.7% of revenues	cost of materials	15.7% of revenues
31% of revenues	payroll costs	18% of revenues
15.2%	owner's salary	28.2%
18%	bottom-line profit	7%

helped, too.

But Grate Funn's independent operation won on other points, the study showed. In the Direct Payroll category, he was a clear winner, for instance.

The upper quartile and typical companies averaged 31 percent while his, due mainly to the commission system, was just 18 percent.

Grate's productivity led significantly. Although he didn't say so, it's likely his trucks command a greater dollar amount per stop, and his routes are tighter.

All companies were relatively the same in production vehicles and equipment, although Grate topped out a tad on the high side due to his "company" BMW.

Grate's big salary shot him into space, in this category, 13 percent higher than Ken's more sober 15.2 percent. (Grate justified his pay by pointing out that his beautiful second wife's favorite book is "Dun & Bradstreet.")

Ken's operating profit matched those of other upper quartile companies, almost 18 percent. Grate's was about 7 percent, equivalent to the typical company.

On the balance sheet, Ken and the typical companies were similar in assets and liabilities, while Grate had enough debt to send the SBA running.

Both men said the study revealed areas that they needed to strengthen.

Ken vowed to improve his hiring process and start a technician training program. He's also experimenting with new ideas to inject excitement and enthusiasm into his workers.

Grate decided to cut his salary and pay himself what he would pay a manager, then bonus himself at the end of the year according to the company's performance. He's also implementing a plan to get his company out of debt.

Lewis Browning, the study's author, said that neither man was right or wrong, but both had differing personal styles that made their companies very different. □

—Dick Bare is owner and operator of Arbor-Nomics Turf Inc., Norcross, Ga. To order a copy of the study, contact PLCAA, 1000 Johnson Ferry Road, Suite C-135, Marietta, GA 30068-2112. Telephone: (800) 458-3466. Cost is $150 for PLCAA members; $395 non-members.

Breaking through business barriers

Dr. Nate Booth, head corporate trainer at Robbins Research International Inc., San Diego, told members of the Asssociated Landscape Contractors of America that all they need to break through their barriers is "confidence and competence."

Booth, speaking to about 200 landscapers at ALCA's Executive Forum, urged them to "transform changes into challenges" by using these four keys:

- have an empowering belief system;
- put yourself in a peak state;
- use the right strategy; and
- be on a team that supports you.

Also speaking at the Forum was Will Phillips, a trainer with Faust Management Corp., San Diego, who led participants through the steps of team building.

ALCA's 1996 officers are: President David Minor, Minor's Landscape Services; President-Elect Judson Griggs, Lied's Landscape Design & Development; Vice-President Cynthia Peterson, CCLP, McCaren Designs; and Secretary, Steve Glover, CLP, L&L Landscape Services. □

PLCAA recognizes substance abuse

PLCAA offers "Working Partners," a video training program dealing with substance abuse in the workplace.

Developed by the U.S. Department of Labor, the program includes a video, a trainer's manual and a participant's manual. Different types of substances including marijuana, inhalants, alcohol, steroids, crack, cocaine, ice and hallucinogens are discussed. The video "America in Jeopardy" and interactive group sessions are key parts of the program.

"Working Partners" is $50 for PLCAA members and $75 for nonmembers. Contact PLCAA at (800) 458-3466.