

Time to add a new service?

Survey current customers and study the receptiveness of potential clients to gauge the likelihood of a new service's profitability in your market.

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Many lawn and landscape company owners are considering expanding their services. This month we look at our make-believe Mixed Mowing & Maintenance Company to show what to consider when you're thinking about expanding your services.

Start by asking yourself:

- * Should the new service be offered to all of your current customers this year?
- * Should you test market the new service before offering it to your entire customer base?
- * Should you buy a franchise for the new service?

Choose your target market

Objectively determine the strength of your company's image. Study the retention pattern for current customers and get their feedback. Then, survey noncustomers in your market.

This will give you insight as to the receptiveness of the market and alert your current customers that you may be planning to offer a new service. Collect this information carefully.

Don't rush — take it easy

If you're still on track to launch a new service, answer these questions:

- * How willing are you to do a test?



Our make-believe company, Mixed Mowing & Maintenance Co., identified potential clients and gained the support of its current staff before offering its new seasonal color services.

- * Are you excited about doing something new and think a test is unnecessary?
- * Can you limit the new service to a restricted group of current customers?

You'll also have to determine how much financial investment is required, the risk level of your new venture and the availability of qualified people (or the ease of training them). Also consider the impact on your current employees. Many new service offerings fail because current employees are not informed, do not understand the purpose of a new service or feel left out.

When you understand the needs of

your employees, you can count on them to help launch the new service. If you don't involve these employees, you may find yourself with an "us" vs. "them" situation.

Should you franchise?

One way to lower your risk is to obtain a franchise in the new service area. Franchisers market a tested system for the purchaser and many of them offer extensive training and backup. Is a franchise for you?

Pros

- * Established service concept already being marketed in other areas.
- * First year's budget and marketing plan

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readily available.

- * Ability to talk with other franchisees.
- * Franchiser provides established marketing and advertising plan.

Cons

- * Franchise has fixed initial investment.
- * You must follow the rules of the franchise agreement.
- * The franchise may not offer an exclusive territory.
- * Financial results must be reported to franchiser and a fee paid based on revenue volume.

The risk/time tradeoff

Before making a decision to start a new service, consider how much risk you can accommodate. Risk can be in the form of money, people or concept.

All too often, an owner finds that a new service is requiring more management involvement than initially envisioned. Consider what could happen to the current

business if you and your managers are unable to concentrate on the core business while you get the new offering launched.

Establishing a budget

Develop the first year's budget of the new service based on a conservative estimate of its potential performance. Assume that events will not occur as predictably as you might wish. Allow for some shortfall in revenue and some overspending. Assume certain startup costs and also include the efficiency of office personnel services.

Mixed Mowing & Maintenance's budget for the addition of seasonal color service is shown below. While it may not reflect your new startup, it contains the type of costs and operating planning you should address when offering a new service:

1. Sales

Revenue is based on assumed customers from the current client base determined by the current customer survey and a projection of customers we can attract.

2. Operating Expenses

The cost of flowers is based on the cost per flat of flowers. Shop around early on in the process for volume discounts. Develop a realistic picture of your expenses.

Vehicle costs relate to the new vehicle purchased for the new service. Don't pass along an old vehicle to a new service. Budget also for vehicle operating costs for fuel, oil, maintenance and other items.

Labor. When a new service is started, often it doesn't run smoothly unless sales are being recorded in excess of the plan. Include payroll taxes and other employee benefits in the budget here.

3. Administrative Expenses

Payroll expense should cover the cost of a new sales person for this service. Again, budget for payroll taxes, other employee benefits and, possibly, vehicle expenses.

Advertising will be the cost for direct mail, brochures and other communications.

If you purchased a franchise, you will need to budget the costs to attend the franchise training seminar.

Ask questions everywhere

Before launching a new service, become as well informed as possible. Contact owners in a different market about their experience, seek input from consultants and, if you choose a franchise, call other franchise owners. Embarking on a new service for a company can be exciting. Just remember to be certain that the new business is not taking the life out of your main business.

Often, employees who are not involved with the new service can become frustrated when they see the enthusiasm generated by the new venture. Keep a finger on the pulse of all your employees when a new service starts up. Be ready to provide focus and excitement to the people involved in your main business too.

A new service can be both profitable and rewarding. However, this usually doesn't occur in the first year. Give a new service offering 3 years before you make a decision about its success.

The authors provide green industry consulting services for Wandtke & Associates, Inc.

SEASONAL COLOR INC. – PROJECTED PROFIT & LOSS STATEMENT

Revenue	Year 1	Year 2	Year 3
Seasonal color	\$75,000	\$170,000	\$285,000
Total Revenue	75,000	170,000	285,000
Operating Expenses			
Payroll	36,000	50,000	75,000
Materials	37,500	76,500	114,000
Gasoline	3,000	4,500	6,000
Vehicle maintenance	1,500	3,000	4,500
Payroll taxes	7,200	10,000	15,000
Operating supplies	500	1,000	1,500
Uniforms	1,200	1,500	1,800
Total operating expenses	86,900	146,500	217,800
Gross profit	(11,900)	23,500	67,200
Administrative Expenses			
Payroll- sales	15,000	29,750	43,320
Payroll- taxes, etc.	3,000	5,950	8,664
Trade shows	600	600	600
Advertising/promotion	5,000	5,000	5,000
Vehicle depreciation	3,000	3,000	3,000
Vehicle expense	3,000	3,000	3,000
Entertainment	800	800	800
Total Administrative Expenses	30,400	48,100	64,384
Operating profit	(42,300)	(24,600)	2,816