



Snapshot 2001

PART THREE:

Operations Review

Respondents in Landscape Management's 2001 survey represented all sizes and types of landscape and lawn care organizations, and are typical of thousands of others (see note Page a5).

While there is no "typical" professional landscape operation, certain statistics and practices clearly define this business. Our survey reflects the reality of the marketplace, where a majority (66.5%) of operations earn less than \$1 million annually. We've also studied three distinct

groups to see operating trends emerging for the entry-level firm (\$250,000 annual revenues or less), mid-level firm (\$250,001 to \$1,000,000) and large, established firm (\$1 million or more).

The typical customer mix is 57% residential, 38% commercial and 4% government. This changes depending on size, however. An entry-level firm averages 72.5% residential customers; a mid-level firm probably has around 60% and the largest firms may average about 35.5% residential customers.

It's easy to make a correlation between company size and length of time in business, too. The industry average years in

business is 18, but it breaks down like this: Entry-level 12.5 years average; mid-level 18 years; largest 24 years.

This year's survey showed that landscape installation is most prevalent, with 86.3% of respondents providing this service (entry-level, 78.3%; mid-level 87.6%; large established 90.7%). Mowing and design services were close second and third, with 72.6% of those surveyed providing mowing and 71.7% doing design work.

Favorite specialty services include water features (28.6%), erosion control (21.4%), masonry and retaining walls (14.3%) and garden centers and horticultural troubleshooting (both at 7.1%).

Operating issues

A glance at the typical operating budget shows that labor and re-

cruiting continue to take the largest budget share: 33% on average. However, it takes only 26% of the typical entry-level budget; as much as 40% of a typical mid-level budget; and a more manageable 34% of a large firm's budget.

Plants and landscape materials took a larger chunk of the 2000 budget than they did in 1999, an average of 20%, followed by overhead (19%), equipment and equipment maintenance (12%), fuel (9%), fertilizers and pesticides (5%) and other (2%).

This year presented several challenges, compared to 2000. While a full 76.6% said they had more work in 2001, 62% said they found it harder to compete. This varied depending on size, for only 66.6% of entry-level firms reported they had more work this year, while 82% of

mid-level and 82.5% of large firms noted higher demand.

A majority of respondents (59.4%) agreed that customers are more picky this year than in 2000. Larger companies (69.2%) reported this more often than mid-level (58.3%) or entry-level firms (43.4%), perhaps reflecting their larger proportion of commercial business.

Cash flow and financing seem to be more of a challenge in 2001, with an average of 58.6% saying it is difficult. A majority of entry-level firms (67.2%) noted financing/cash flow difficulties; with 48.5% of mid-level and 57.3% of large firms reporting the same.

This year's strange business climate and surprising jump in costs caused 64.8% of our respondents to say it is harder to be profitable in 2001, and this

was spread almost equally across small (60.7%), mid-level (60.0%) and large companies (69.8%).

Although a clear majority (62.5%) said they had more backlog or customers this year, 64% are still finding it harder to recruit. It is especially hard for entry level firms, with 83.3% saying its harder to recruit, compared to 57.5% of mid-level and 56.9% of large organizations

In the past year, only 9.1% of respondents said they dropped a service or customer segment, 7.3% bought another business, 6.8% opened a new branch and 4.1% offered employees stock.

Other business challenges that concern the industry include: Energy costs (35.5%), employee retention (31%), affordable products and supplies (28.4%), business management

TABLE 6 — FAST-GROWING SERVICES

Service segment	Fastest growth (industry ave.)	Rate of growth (industry ave.)
Landscape maintenance	45.0%	30%
Landscape design/install	41.9%	23%
Custom chemical app.	11.0%	47%
Specialty services	8.9%	23%
Irrigation	6.3%	18%
Tree care	4.7%	28%

issues (23.2%) and government regulations (23.2%).

Handling people

While the average number of employees working full time was 34, the average number was three for entry-level firms, seven for mid-level and 131.5 for large firms. The use of part-time and family members is spread across the industry, as is the use of foreign-born workers.

Respondents report that they pay their best supervisors an average of \$16.01, ranging from \$14.20 for entry-level firms to as much as an average \$18.56 for large-firms. Average hourly rate for entry-level workers is \$8.24, with entry-level firms paying the most (\$8.45), followed by mid-level (\$8.18) and large (\$8.01).

Most firms, large or small, try to provide a employee benefits to boost retention and save large recruiting and training costs. Most popular are uniforms, which are provided by 73.6%, followed by incentives or bonus plans (65.3%), health care (54.2%), promotions (36.1), retirement savings (33.3%), transportation (30.6%), educational reimbursement (23.6%) and profit sharing (18.1%).

This is echoed in the comments of many respondents who mentioned new programs they are implementing. AAA Landscape's Underwood is an example, "We need to service our internal clients as well, and those are our employees. So we're making long-range plans, we've developed company values and a mission statement and we are concentrating on education." **LM**

Part 4 of this report ►

TABLE 2. — HARD WORKING LANDSCAPE PROFESSIONALS

	Industry Average	Entry level <\$250k	Mid-level \$250k-\$1M	Estd. >\$1M
Average working hours/week	56	54.5	58	55
Average years in industry	19	16	18.5	20.5
Average age	44	43	44	45.5
High school or less	12.0%	12.0%	6.2%	17.3%
Some college	30.4%	30.3%	39.3%	17.3%
Vocational / tech school	4.3%	6.0%	3.0%	4.3%
Associate's degree	10.9%	15.1%	9.0%	8.6%
Bachelor's degree	35.9%	36.3%	33.3%	43.4%
Post graduate degree	6.5%	0.0%	3.0%	4.3%
Very satisfied with career (well rewarded)	82.7%	71.6%	84.9%	90.4%
Somewhat satisfied with career (or rewarded)	14.9%	25.0%	12.3%	7.9%
Not satisfied with career (or rewarded)	2.4%	3.3%	2.7%	1.3%
Ave. personal take home pay	\$73,351	\$45,884	\$67,149	\$106,666