

# inside the owner's head

BY JASON STAHL / MANAGING EDITOR

## It's the battle of revenue vs. expenses!

**A**fter a busy day, a landscape professional might lie in bed and ponder this question: Which is more important, generating revenue or controlling expenses?

Judging from the responses from members of The Owners' Network, this question could sustain a lengthy debate.

### Watch those expenses

"I've shown more bottom line profit by controlling expenses rather than raising prices," says Michael Hatcher of Michael Hatcher and Associates, Memphis, TN. "Look at the income statement to determine which expenses carry the largest percent and attack that area of your cost expenses."

Brian Akehurst of Akehurst Landscape Service, Joppa, MD, is a proponent of watching expenses, too, but that's not the most exciting thing to do. "Since generating revenue is the easy part, I think a lot of owners catch themselves spending more time in that role," he says.

"I remember a quote from some famous coach that goes, 'Offense wins games, but defense wins championships,'" says Jerry Merrill of Weed Man East Idaho/Merrill Quality Landscapes, Rexburg, ID. "Without a detailed cost control system (defense), the championship (a good net profit number) is out of reach."

### Go make money!

Scott Ziebol of LandCrafters, Inc., New Berlin, WI, says he's an offense-minded player. In his opinion, a cost efficient organization without adequate revenues will die.

"Generating revenue requires more time and attention, and when you stop focusing on it, it goes away," Ziebol says. "Even the most basic cost control systems, once in place, have their own inertia and can be incrementally improved."

Dan Rooney of Rooney Landscape, Rolling Meadows, IL, believes that owners are entrepreneurs at heart and want to build revenues. But to do that, he says, you need a sound budget. "I spend time preparing a budget, and I review it on a monthly basis. Get confident with your budget, then turn your attention on building your business."

Johnette Taylor of Roundtree Landscaping, Dallas, TX, keeps it simple with regard to this subject: "I focus my attention on ways to generate revenue. I leave controlling expenses to the bookkeeper."



**Scott Ziebol (left) says go make money, while Mark Baldwin favors a more balanced method.**



### Rub your tummy and pat your head

Some landscape pros advocate giving equal attention to both generating revenues and cutting expenses. As Billy Holly of Central Coast Landscape and Maintenance, Santa Cruz, CA, says — it's like rubbing your tummy while patting your head.

"If you don't generate income, you'll have no expenses to control, so the income has to come first," Holly says. "However, don't dare

## When cost control can backfire

Scott Ziebol pointed to the typical strategy during tough economic times as an example of why cost control can backfire. "When revenue drops and cost cutting is chosen as a correction, the first things to go are the important things necessary to support revenue production. These include things like customer service support, marketing, training."

He continues: "The next step is to try to beat more productivity out of the production staff while cutting things necessary to support them."

lose track of where your money is going."

"What's more important to a car, the tires or the engine? They both need to be in working order for the car to run properly," says Mark Baldwin of Mark J. Baldwin & Associates, Plymouth, MI. "If you have a selling machine with only fair production, or great production but no cost control, there will be problems."

Taylor, while admitting she's a revenue generator, also advises caution on one-way thinking. "Generating revenues is the fastest way to add to the bottom line, but you need to make sure you're not just making a sale. It has to be profitable."

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