



Play

Troy Hall started Hall's Horticulture Design, Inc., Charlotte, NC, in 1994 convinced he could parlay his commitment to service and quality to business success in landscaping.

Five years later, exhausted from hard work, Hall found himself in the hospital owing vendors \$240,000 and his business in big trouble.

What went wrong? Almost everything. Yet, while many business owners might have thrown up their hands in futility, Hall became passionate about learning from his mistakes. Because of his positive attitude, he turned his business around. "We're living our dreams right now," he says.

Hey, this is easy

Hall's firm offers both maintenance and design/build services, including lighting, irrigation, patio work, all types of stonework, waterfalls and ponds. But, let's start at the beginning.

Business went fine for Hall's first four years. It was going so well, in fact, that he eyed rapid expansion near the end of 1997.

"At the time, we were doing almost all residential work," he says. Even though this work was highly profitable (\$507,000 in sales in 1997 with an 18% net profit), Hall felt he needed to take on large commercial landscape work, too.

His residential clients turned out to be a

Troy Hall (right) with the two managers who helped him refocus his business: Will Sutterlin (left) and Matthew Posvar (middle).

your game

good source for acquiring commercial jobs. "We had several residential accounts where the owners were either in property management or construction," he says. "For example, one residential client was the president of a real estate development corporation. We got to talking, and he was looking for someone to help him out and asked us if we'd be interested in bidding."

Over time, as he began working with more construction contractors, he got to know the foremen. "When they moved on to other jobs, they called us to see if we wanted to bid on their new jobs," he adds.

By the next year, Hall's sales had doubled to \$1.1 million and, instead of nine employees and four trucks, he was managing 26 employees and 11 trucks.

Profit, however, imploded. "We ended up with a 3% net loss," he says, recalling his shock upon discovering this at year's end.

He now realizes that he'd focused on growth instead of profits. "I'd been telling the managers to push crews as hard as they could, and overtime costs were killing us," he recalls. "I spent all my time pushing for more sales. I never looked at whether the work was profitable."

Here's what went wrong

In analyzing his situation, Hall isolated four major problems in four different areas:

Estimating. "We had no way to tell whether we were profitable, so I ended up bidding lower than I should have, often

How Troy Hall refocused his business and saved himself from financial ruin

BY WILLIAM ATKINSON

just as a way to get the work," he says. His commitment to superior service and quality compounded the profit problem. For example, on one \$130,000 job Hall ended up spending \$150,000. That construction contractor, as well as others, encouraged him to cut corners, but he refused. He'd staked his reputation on quality work and he wasn't budging.

Labor costs. He wasn't paying attention to overtime costs. "I was having my managers work the employees as hard and as long as they could, and many of them were putting in 60 hours a week," he recalls. "Payrolls were costing \$25,000 every two weeks. It was a nightmare."

Inventory costs. Hall also found it difficult to compete with larger companies since most of them had their own nurseries. "We ended up having to spend quite a bit more for plants than what they spent to grow the plants themselves," he explains.

Cashflow. Payments from commercial accounts were slow. "In our residential work we operated with 50% down and 50% on completion," Hall says. On the \$130,000 commercial job, for example, it took him nine months to get paid. "There

was a lot of red tape and paperwork to getting paid, and this led to a major cash-flow problem, especially since we had hired so many new employees and had invested so much in new equipment."

By the end of 1999, Hall's invoices with vendors were reaching 90 and 120 days and he owed them \$240,000. "Some of my vendors wouldn't let me charge anymore," he says. "I was even struggling to make payroll."

Hall's work habits were also taking their toll on his health. "I had been working 16 hours a day, seven days a week for a long time and finally ended up in the hospital," he says. "This was a turning point for me."

Let managers manage

Hall committed himself to working smarter. He called on two of his managers to help him refocus the company — Will Sutterlin, manager of the services division, who had been with him since the beginning, and Matthew Posvar, who took over as manager of the landscape division. "They took so much weight off my shoulders," says Hall. "I couldn't have turned this business around without them."

Together they redirected the company's

Simple changes that cut labor costs

When Troy Hall's debt threatened to kill his company, he began to pay more attention to running the business rather than focusing all his time on selling. One area of concentration was on slashing payroll. The company did this in three ways:

Have employees show up earlier. Before, four managers and 21 laborers clocked in anywhere between 6:30 and 6:45 a.m., but they weren't getting into the field until 7:45 or 8:00 a.m. "They spent their time loading up the trucks, sitting in the trucks, trying to back up around each other, and so on," Hall explains. "I was so busy planning my day that I didn't even realize

what was going on out there." So it became a requirement that all of the managers and two laborers show up early to sharpen mower blades, get equipment ready, and load trucks and park them at the front of the shop. When everyone else would come in at 8 a.m., their trucks would be loaded, they'd get their work orders, and be gone in five minutes. Since this policy was enforced, Hall says he's saved over 100 man-hours a week in overtime and cut payroll dramatically.

Keep track of things better. To do this, Hall began using a software program called CLIP, which helps route jobs and cut travel time between jobs,

as well as track crews' locations and lunch times. CLIP also helps Hall manage production. "It tells the crews exactly how long they have for each job," he explains. "If they hit their numbers, they get a bonus at the end of the week."

Eliminate gas cards. Before, seven or eight trucks would be sitting around the gas station with everyone talking before, during and after fill-ups. Hall took gas cards away he'd previously given to foremen. Now, there are designated days where everyone goes to the gas station: Mondays, Wednesdays and Fridays.

The result? Work hours have been cut from 60 a week to no more than 45.

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Hall goes over a design plan with Sutterlin, one of the managers who he said was crucial in helping him turn his business around.

involved billing in advance rather than billing in arrears.

The first month, of course, ended up with double billing. He billed his cus-

tomers at the end of the month, then also for the next month's work.

"I can't tell you how scared I was when I did this," he admits, "but I only lost one

focus. "Before, we focused on sales, growth and competition with the big boys," Hall says. The new vision was to recapture the original plan to offer high-end residential design/build and maintenance services capitalizing on the company's commitment to service and quality.

"We decided to get almost completely out of dealing with large commercial contracts, with the exception of a small number of general contractors who were friends and where we could get some solid, dependable business," he explains.

Hall decided to perform 60% of his maintenance work on residential properties and 40% on commercial properties. On the design/build side, 85% of the work would be residential.

Profit is king

Hall then drew a bead on profitability. First, he sat down and created a detailed chart of accounts that actually reflected how the company did business. The next step was to create a budget and live by it. Hall then began using CLIP software to job-cost all of his jobs.

This led to some startling realizations. For example, Hall learned that he'd never calculated the real cost of liming. "We had a standard price but if pH was down a lot on a piece of property, we might have to put down 20,000 lbs. and end up losing money," he says. As part of the new contract, liming was considered an extra cost.

Hall also changed his billing schedule. "At the time, we would work for a month, bill for the work, and get paid 15 to 60 days later," he says. "I wrote a letter to all my clients, explained my situation, and explained my new program." The program

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Circle 120

Nine ways to improve cash flow

BY WILLIAM J. LYNOTT

1 Never allow money to lie idle.

Deposit daily receipts into a money market account where they'll immediately start drawing interest. Link it for online transfers to your checking.

2 Use other people's money.

At today's low interest rates, careful use of credit can be one of your most effective business-building tools. Beware of extensive use of credit for personal affairs. When it comes to business, it's a different matter.

3 Consider leasing.

Leasing makes sense if you'll be able to use the cash in your business or investments to earn a better return than the cost

of leasing.

4 Diversify to keep cash flowing.

When you and your employees are idle, any work is better than no work. Performing a variety of maintenance services at prices that don't satisfy your usual parameters of profitability can make sense when they provide work and some cash inflow.

5 Don't rush to pay your bills.

Hang on to your cash as long as possible to keep money available to draw interest or to work in your business. But don't jeopardize your credit standing by paying bills late.

6 Aggressively collect accounts receivable.

When a customer is

late paying a bill, don't hesitate to get on the phone to ask if the bill has been overlooked.

7 Maintain a cash cushion.

Keep enough cash in interest-bearing accounts to cover normal operating expenses for three to six months.

8 Develop a personal relationship with your banker.

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Hall's residential focus gives his firm the opportunity to compete on service/quality.

"Right about 15%," Hall says. He says that early this season he will be out of debt with his vendors and credit card companies.

"And one of the nicest things now is that I

only work about 10 hours a day, and I haven't worked a Saturday in months," he says. **LW**

— The author is a freelance writer based out of Caterville, IL.

customer." Now, each January, he job-costs and renews each contract. "If something is profitable, we stay with it," he says. "If it's not, we increase the cost, discuss it with the customer or lose the customer."

Details matter

Hall also scrutinized his insurance costs. In the area of vehicle insurance, for example, he thought he needed a truck for spraying. Instead, he sold the truck, got rid of the insurance obligation and put the spray rigs on a trailer.

He got a better rate of workers' comp by classifying drivers separate from non-drivers, managers and office staff who didn't do any field work. "This saved thousands of dollars a year," he says.

He also shopped his firm's health insurance and cut that bill by another \$600 each month. In all, he reduced his company's insurance premiums from \$3,000 to \$1,800 a month.

Next came the challenge of paying down his firm's debt. "I sat down with all my vendors to work out a repayment plan," Hall says. He took out a second mortgage on his home to make some immediate payments. Then, each month, he took some of the profits and continued to pay down the debt.

All of Hall's efforts are paying off. "We now have 14 year-round employees, with another six to seven during the 10-month season," he says. "We have some large residential design/build and maintenance projects ranging from \$50,000 to \$80,000."

In 2001, the company's gross revenue was \$1,000,000, only down slightly from what it had been when Hall was focused on commercial work. And net profit?



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