



Gauge your performance

Even finely tuned companies are taking a beating in this off-road economy. Information is the key to navigating this rough terrain and finding your way back onto the fast track.

BY DANIEL G. JACOBS MANAGING EDITOR

THE ECONOMY HAS slammed on the brakes. The navigation system's down and there's a strange noise coming from the engine. Like the drivers of an aging vehicle, Green Industry business owners study their dashboards trying to gauge the health of their operations — hoping not to end up in a ditch in need of a tow and a good body shop or, worse yet, having to walk away and sell everything as scrap.

Good information is essential to gauging the state of your business. We surveyed more than 680 of your peers, crunched and interpreted the numbers, and present the results here. Some of the data reminds us of the gentle hum of a well-tuned engine — while other bits are more reminiscent of

the black-smoke-spewing, oil-leaking junker just ahead on the side of the road.

Of course, you don't need a tachometer to tell you how your business is doing. Some markets have been hit harder than others. Some company offerings have held up pretty well, while others have seen a need for their services dry up like a puddle in the Southwestern sun. But perspective does help. Even if it offers nothing more than the chance to commiserate with your fellow executives on the sorry state of the economy and its affect on your businesses (and that is by no means the case for all of you), having a benchmark with which to measure your operation against allows you to step back, take a deep breath and evaluate the situation. And it might just make it a bit easier to pass that guy in the slow lane just in front of you.

Let's start with a little perspective. The LM 150 companies in this industry accounted for nearly \$6.8 billion in revenue and employed more than 77,000 people full-time and another 20,000-plus part-time. And despite the economy, one of the biggest complaints we still hear about is the lack of workers: "Where's all that available labor that's supposed to be out there? I still can't find enough workers. The federal government really needs to do something about this!" one survey respondent remarked.

SOI Analysis



Plan for success

So what do the numbers say? According to *LM's* 2009 State of the Industry survey, 63% of you describe the market in your region as "slightly down" or "down significantly." Only 37% selected the terms "relatively healthy" or "very healthy."

However, we're a little leery of those numbers because 40% of you confessed you didn't prepare a budget for 2009. If you don't have a budget in place, it's hard to know how well or poorly you're doing and almost impossible to compare one year against another. There are too many variables to track, and gut instinct might be good for deciding what's for dinner, but it's not so good for running a business.

Interestingly, 46% of you have three- to five-year business plans, and more than half of you (56%) review them at least once every six months.

While it's not all doom and gloom, the survey clearly indicates you are taking a cautious approach to the near future. Thirty-eight percent of respondents project their revenue will increase in 2009. Specifically, 5% expect a more than 20% uptick; 15% are planning for a 10% to 19% increase; and 18% expect to bump revenues between 1% and 9%. Twenty-

three percent of you expect to hold even with 2008, while 40% expect negative revenue growth.

The *LM* 150 fared slightly better. For the biggest of the big (among those for whom we have complete data), 53% experienced a revenue increase over 2007; 38% saw a drop in revenue; and 9% held their own year-over-year.

One contractor in our survey tried to put a common-sense perspective the current situation: "People need to stop talking how bad the economy is. It only seems to be bad because it was overheated for several years due to too much debt and greed. Now, when things are normal, everybody thinks things are bad."

Maybe so, but perception is reality and whether "normal" has been reset to a higher level after years of strong growth or we're just uncomfortable with the old normal, few of you are expecting things to improve this year. According to our survey, only 15% expect a return to moderate growth (3% GDP or better) by the second half of this year. Twenty-eight percent think it will come in the first half of 2010 and 30% believe it will be the second half of next year. Slightly more than a quarter of you (26%) say the recovery is not coming until 2011 or later.

SOI Analysis

LIQUID GOLD

61%

Say landscape designs must be more water efficient.



58%

Predict water-use regulations will become more stringent and spread.



55%

Expect the price of water to continue to shoot upward.

ALL THUMBS

40% See business getting worse this year.



37% Expect their revenue to rise in 2009.



TALENT TITLE WAVE

75%

Say attracting top talent is among 2009's top-two opportunities.

Waste not, want not?

With all of the above in mind, you have indicated you're looking for ways to reduce your spending.

Some 58% are extending the equipment turn-over rate by keeping machines longer. Another 6% are more strongly considering renting some tools instead of buying them, and 9% are looking at used or reconditioned equipment as an alternative to new. As one of you said: "Looking forward to seeing what the industry is like. Our market has definitely felt the pinch. It has been pretty secure and recession-proof for almost 25 years. A turn to reality for everyone."

Whether we're facing facts or frightened by them, there are a few gauges every contractor should review. Customer retention is certainly one key performance indicator.

Of those who do maintenance, 49% have seen a decrease in customer retention rates this year over last year. Whether they're giving their business to low-price outfits or doing the work themselves is unclear. That's why, as one contractor put it, "It is more critical than ever that we give the greatest service possible to all our customers and to our prospects."

The key, says another contractor, is to "treat your

customers right and they will keep you in business for years with their referrals."

That might be easier said than done. The downturn in the economy has many of you worried about the future. "I believe we are only in the beginning stages of a full-out fist fight with each other, and I'm not sure that the ones left standing at the end will be able to hold their hands up in victory," says one contractor. "They will have had to spend every resource they have to get there, and may not have anything left to fight with."

One challenge is that you are no longer competing with just your traditional rivals. In an industry with a relatively low barrier to entry and a market littered with laid-off workers, you have a host of new competitors. A glut of competition from frantic newbies drives prices down. And poor quality from some of those same inexperienced operators leaves a stain on the industry.

"A lot of desperate landscape companies are undercutting the market," one contractor lamented. "Some are already out of business. Many others will follow. Failure to recover equipment and business overhead in pricing is not sustainable."

ROAD TO RICHES

Top two add-on "sustainable services":

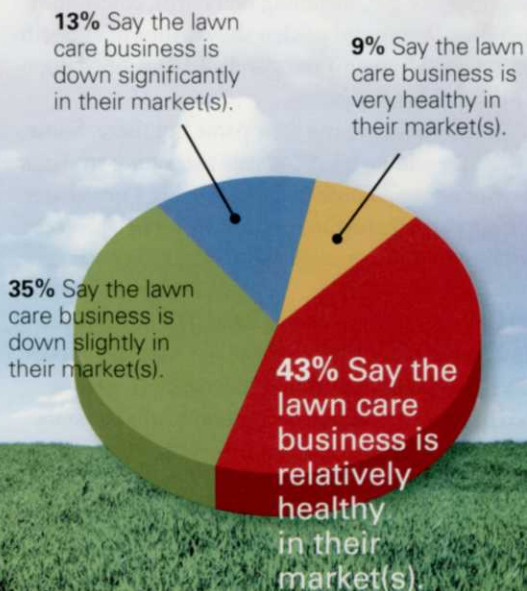
- #1 Permeable pavers
- #2 Rainwater harvesting

SHOPPING LIST

Things you're looking to buy this year:

- 69% Handheld power equipment
- 46% Mowers
- 38% Light trucks

LAY OF THE LAWN



The bright side

Opportunity still exists among those willing to work to get it. Many of you are looking to deliver your services to more customers or develop new markets. Nearly half (49%) consider the residential market the best opportunity for your company. Twenty-eight percent are looking to increase commercial accounts. Nine percent are looking at condo, multi-family or homeowner associations (HOAs) as a way to draw additional revenue, while 11% are turning their sights toward the government.

How you reach those markets is key. Forty-two percent of you plan to increase your marketing budgets, while only 21% plan to decrease the marketing spend.

"I knew for us to prosper in 2009, we'd have to double our marketing investments," one contractor offers. "So many companies are doing the opposite, cutting back on their advertising. They are the ones who will be really hurting — if they're still around — when this economy rebounds."

Personal contact is still the most popular way to touch your clients. Some 74% of you plan to make yourselves more available to your customers.

According to the survey, the single most effective form of advertising to attract new prospects is word-of-mouth referrals. Seventy-one percent of you say that is the best strategy. Only 2% of you say radio or TV is the best way to increase your client base.

We were impressed with some of the "other" responses we got, including billboards, community meetings, home and garden shows, Internet (specifically, Craigslist.com) and good, old-fashioned door-to-door direct marketing.

It's all about getting your name out there. Some of you are adding tried and true marketing strategies to your efforts. Those include: starting a newsletter (22%), participating in community service projects (28%) and offering coupons or special incentives to new customers (29%).

Of course, this is only a sampling of what you'll find inside *LM's* 2009 State of the Industry report. On these pages, you'll find more charts, graphs and quotes to give you vital insight into the state of the Green Industry. You'll also find profiles of executives from several of the *LM* 150. While you're still the best mechanic for your business, having this dashboard of information at your fingertips helps you understand how well your company is running. *LM*

SOI Analysis

EQUIPMENT LIFECYCLES

58% Plan to keep their equipment longer than usual.

27% Plan to replace equipment per usual because machinery is key to productivity.

9% Are strongly considering buying reconditioned instead of new equipment.

6% Are strongly considering leasing rather than purchasing new machinery.



MONEY MAGNETS

71%

Say **referrals** is the most-effective way to attract new business

BIG 3 PRIORITIES

#2
Increasing efficiency

#1
Retaining and adding customers

#3
Cutting labor, equipment and material costs

After being in business 18 years, I'm now as close to failing as I ever have been.

I'm sick of grass cutters low-balling the landscape market and devaluing our services and our industry as a whole.

Where's all that available labor that's supposed to be out there? I still can't find enough workers. The federal government really needs to do something about this.

I think we are 12 months away from what really will happen to this economy. When the debt catches up with reality, companies will exit this industry in droves.

Treat customers like they're worth every penny they pay you — but do not let them take advantage of you.

A lot of desperate landscape companies are undercutting the market. Some of them already are out of business and others will follow. Failure to recover equipment and business overhead in pricing is not sustainable.

It's more critical than ever that we give the greatest service possible to all of our customers and prospects.

Keep the faith.

Don't give in to the bad times. March forward as best you can.

FOUNDATION FOR GROWTH

24%

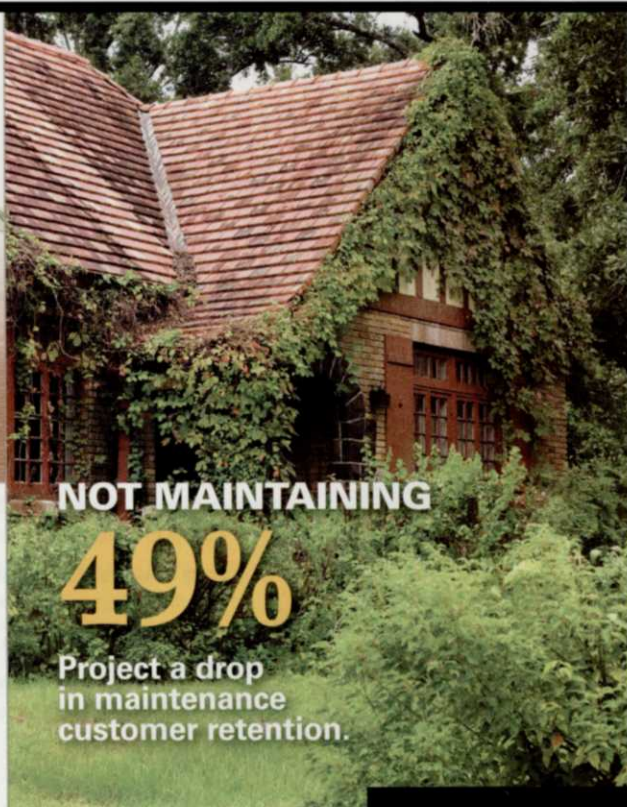
Forecast their design/build business to grow in 2009.



HEADS DOWN

40%

Admitted to not even preparing a budget for 2009.



NOT MAINTAINING

49%

Project a drop in maintenance customer retention.