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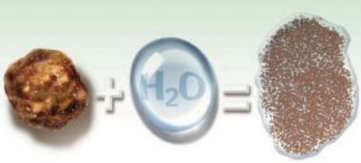

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NICOLE WISNIEWSKI EDITOR-IN-CHIEF

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Adapt to grow

I remember my first months in the landscape industry very well. In addition to writing about the state of the industry, crew sizes, tree transplanting, winterizing irrigation systems, designing landscapes for safety, preemergent herbicide application timing and landscape businesses and their owners, I covered the mergers and acquisitions announcements coming in at a rapid pace.

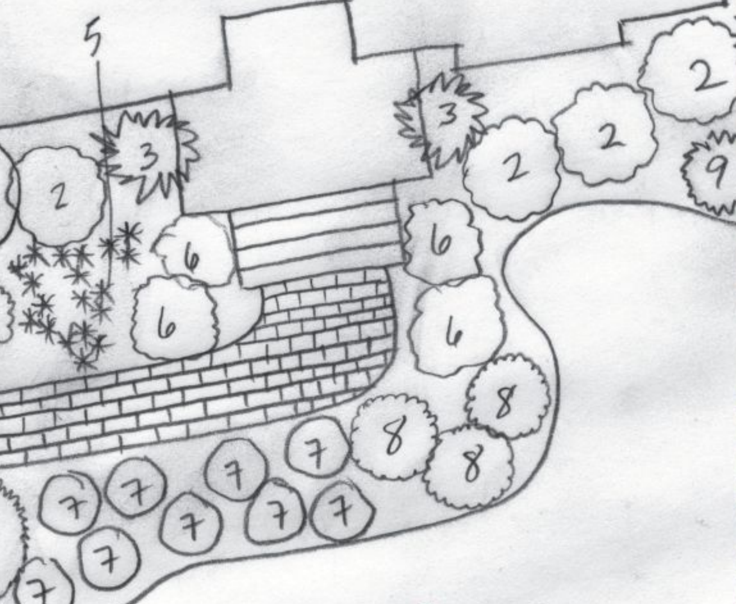
The increased news was a result of February 1998's formation of LandCare USA and TruGreen LandCare (TruGreen's landscape maintenance division). The two were locked in a heated acquisitions race. As my editor at the time said then, "you can call the Green Industry a lot of things, but not boring."

The excitement died down after one giant — TruGreen — bought the other that same year. And, now more than 10 years later, though the news isn't flooding in as quickly, there is competition over merging and/or acquiring strong brands in the commercial maintenance segment of the industry, which has historically brought recurring revenue, stability and long-term growth and, as a result, has proven to be an attractive investment for private equity firms and outside industry investors.

The most interesting part of reporting on this news is watching how the industry adapts each time.

The people I talked to for our cover story this month all had a similar advice for businesses struggling and stabilizing in today's economy: Don't be afraid to turn something upside down and look at it a different way; don't be fearful of bringing in outside help to question the way you do things with the goal of making systems more efficient. You don't have to change your business or offer different services, but by getting your "ego out of the way" in order to become a better business, as investor Martin Zweig points out, you and your team will become smarter and your business will become stronger.

As former Major League baseball pitcher Nolan Ryan has said: "Enjoying success requires the ability to adapt. Only by being open to change will you have a true opportunity to get the most from your talent."



NEWS+VIEWS

GREEN INDUSTRY **EVENTS**, **TRENDS** AND **TIPS**

ILLUSTRATION BY: ISTOCK INTERNATIONAL INC.

Hustle & cash flow

BY **RON CASH**

TODAY, NEARLY 70% OF CFOs and other corporate finance managers at mid-sized businesses say it's the intense challenge of managing cash flow that worries them most concerning business this year, according to a TD Bank study.

When a business provides a product or service, it has a right to expect to be paid on a timely basis. But prompt payment is not always the case. Often, accounts become seriously past due, or there are insufficient funds in the customer account to cover a check when payments are made.

Accounts not paid within terms can have a serious impact on the cash flow of the business. Owners should be mindful of these trends as accounts payable departments everywhere are putting the brakes on "prompt payments," and consumers are tightening their belts like never before.

Accounting managers and their staffs often learn managing accounts receivable is tricky and involves the delicate matter of asking for payment without coming across as harsh. There are processes that once implemented, and employees are trained on, can be effective in obtaining payments. The balance a customer owes is often a moving target. Continual monitoring is required from day to day as the status of these accounts change with new orders, the posting of payments from prior invoices, partial payments and requests for back-up documentation.

Here are some of our suggestions for better managing accounts receivable and having a positive impact on cash flow.

1 **Have a defined credit and collection policy.** A major cause of overdue receivables is not providing a clearly defined policy to customers — in writing — when payment is due. If customers are unsure of the payment terms, they may feel 60-day payments are acceptable, especially if there are no penalties for paying late. Put clearly stated payment terms in writing on the work order, agreement or invoice. If payments are late, have a defined procedure for the accounting department to follow as to when to make a call (day 40) and when to sent a reminder notice (day 45), and instead of sending a 60-day statement, try sending a 'serious reminder' letter. Make another call attempt, too.

2 **Send statements promptly and consistently.** If you don't have a systematic billing system, get one. Many times, the customer has not paid simply because they have not received an invoice. Once reminded, customers are more likely to pay in a timely manner. Doing the necessary follow up and sending statements every two or four weeks can make a big difference in your cash flow.

3 **Use "Address Service Requested."** One of the most difficult collection problems is tracking down a customer who has "skipped." A service offered by the U.S. Post Office might help. Any statement or correspondence sent from a business should have "Address Service Requested" printed or stamped on the envelope, just below your return address.

If a statement or invoice is sent to a customer who has moved without providing you a new address, and "Address Service Requested" appear on the envelope, the Post Office will research this information. If they can locate a change of address on that person or business, they will send you form No. 3547 with the correct address for a small fee.

4 **Contact overdue accounts more frequently.** No law says you can contact a customer only once a month. The old adage "The squeaky wheel gets the grease" has a great deal of merit when it comes to collecting past due accounts. Contact late payers every 10 to 14 days. Doing so enables you to diplomatically remind customers of your terms of payment, and it ensures the customer is satisfied with your company.

5 **Use your aging sheet, not your feelings.** Many a well-meaning employee lets an account age beyond reason because he or she felt the customer would pay eventually. While there may be exceptions or unusual situations, most customers should be treated similarly. Try to focus on EVERY account over 30 days, and stick to your systematic plan. Initially, these calls are like customer service call — a warm and friendly reminder. After speaking to the customer, take the next step once you know where you stand.

6 **Make sure your staff is trained.** Even experienced staff members sometimes become gun shy when dealing with past due accounts. It is important to be firm, yet courteous, when dealing with excuses. Your staff could benefit from customer service training to help sell your customers on the idea that you expect to be paid on time. Instead of pushing the

continued on page 10

continued from page 8

customer against a wall, pull the customer to your style of thinking while maintaining good will. Be sure your staff has all the tools to make it easy to process a credit card payment or ACH check draft.

7 Admit, correct and apologize for mistakes. Sometimes a customer delays payment because of a mistake. If you messed up, admit and correct the error quickly. Customers realize mistakes happen, but many believe a misstep permits them to delay payment. Covering up a mistake often leads to losing trust and customers.

For one contractor's story on controlling cash flow, see "My Biggest Mistake" on page 48.

8 Follow state collection laws. In many states, businesses are governed by the same laws as collection agencies. For example, communicating in writing or verbally that an account will be forwarded to an attorney or credit bureau and then failing to do so can be a violation of some state and federal collection laws. Harassing or contacting a customer at unreasonable hours or using threats might lead to serious consequences. If you are not sure about customers' rights, contact your state's consumer protection agency. The Fair Debt Collection Practices Act (FDCPA-federal law) applies to Business to Consumers and not Business to Business collection techniques.

9 Use a third party sooner. Once you have systematically pursued past due accounts for 60 days or more (and they have avoided your attempts to contact them), send a FINAL NOTICE. Generally, if they have the ability to pay, they will do so or communicate their intentions. Most agencies (and collection attorneys) charge a percentage of the revenue collected, typically 30% to 50%. Some firms offer a pre-collect or early-out service and charge a small fixed fee per account depending on the volume and balance due. Ask about a pre-collect service since this allows you to keep 100% of the money collected in the first 45 to 90 days.

The impact of the "third party" (agency/attorney) reprioritizes the debt and forces customers to make a payment decision. Designed for early intervention, "pre-collection" services can save businesses the internal costs of working accounts beyond reason, typically 60 or 90 days. At that point, consider using professional third-party intervention.

10 Remember nobody collects every account. Even following a specific collection plan, there are accounts that will never be collected. Identify these accounts early and save your business a great deal of time and expense. Even though some may slip by, overall, the number of slow pay and nonpaying accounts greatly diminishes, and that's a victory in itself.

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THEHALLMARK

RON HALL EDITOR-AT-LARGE | Ron has been in the Green Industry for 27 years. Contact him via e-mail at rhall@questex.com.

A better option: more cowbell

Ten years ago Will Ferrell and Christopher Walken hooked up in one of the funniest Saturday Night Live skits ever. Recall Walken urging Ferrell for "more cowbell" as he and other SNL musicians clanged away on the Blue Öyster Cult's "(Don't Fear) The Reaper."

From time to time, when I feel my energy lagging from the goal at hand, I call up the skit to remind me to, you guessed it — add "more cowbell" to my efforts.

Stick with me here now, OK?

Jim Campanella, speaking to about 200 other owners and managers at the recent Lawn Care Summit, described a punishing business experience he suffered several years ago.

Campanella is president of the Lawn Dawg, a lawn care company that he and a partner founded in 1997 and grew into a respected regional company in New England. Charismatic and energetic, under Campanella's direction Lawn Dawg literally took off, and many of us considered him a master marketer. And so he seemed when telemarketing was king; his company used to open a new branch annually during its first seven years. But when the do-not-call law banned telemarketing in 2004, he realized (and now frankly admits) he wasn't a marketing whiz at all.

"Rather than getting involved with **businesses you're unfamiliar with,** you're better off **strengthening the one you know."**

But, that didn't turn out to be the biggest problem he faced; the biggest one was self-inflicted.

In 2005 he and his partner decided to diversify and launch mowing and maintenance services to complement their successful lawn care operation. Playing off of the popularity of their established brand they called these new services Little Dawgs. Let's just say it didn't turn out the way they had planned.

Campanella said within a year the Little Dawgs had resulted in almost $500,000 in losses. Equally discouraging, and which it took a while to recognize, the effort to diversify into production-focused landscape maintenance was diminishing the company's reputation for customer service. Sensing that Lawn Dawg was in a tailspin, he retreated from mowing and maintenance.

"We went back to our core business," said Campanella. "We got back to the things we knew." But before he could heal the company's financial wounds he had one very important thing to do: recover the loyalty and faith of his employees.

"I met with all the employees and told them we messed up," he said. "I asked them to stay with us." They did. Now, refocused on customer service, Lawn Dawg rebuilt its customer retention rate to the pre-Little Dawg era. And in 2009, aided by an infusion of capital by Atlanta-based Brighton Partners LLC, the company opened two new branches, bought another company and announced its intention of growing its regional and, eventually, national footprint.

In Lawn Dawg's case, the lure of diversifying, adding services and evolving into a "one-stop" service provider — too often touted as the surest way to landcare success — didn't work.

Campanella discovered, as do many others, that, rather than getting involved with businesses you're unfamiliar with, you're better off strengthening the one you know — in other words, giving it "more cowbell."

PHOTO BY: ISTOCK INTERNATIONAL INC.

We've Been Hustled!

(And We Like It)

When Hustler wanted to "supercharge" their new FasTrak Super Duty 60" rider, they chose Honda to get the job done day after day, no matter how many hours and demands commercial crews put on it. Because the new, exceptionally quiet, lightweight and low-vibration Honda GXV630 V-Twin engine delivers the power, durability and fuel efficiency that commercial crews need to work quickly and cost effectively. Plus, now it comes with a three-year warranty.* Sure, we've been hustled, but this is one Hustler that will put more money in your pocket! **Find out more at honda.com or hustlerturf.com/honda.**

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Try this tale.

A man goes to Omaha's Creighton University with the goal of becoming a doctor. He gets a minor in biology but instead of going to med school, follows a passion for business and graduates with a degree in accounting. He works as an accountant for three years to build up the required experience necessary to attend Stanford's MBA program. While at Stanford, he interns for the CFO of Disney, researching and evaluating its product lines. After receiving his MBA, he works as a consultant at McKinsey & Co., studying various business operations. He conducts a public study of Warner Bros. and a private study of a multi-million dollar East Coast newspaper, helping them create more efficient systems.

At 35, he gets back into small business (he worked in his family's farmer's market in Nebraska when he was a boy). He gets involved with The Professional Landcare Network. He conducts research on the industry for a year and a half, visiting landscape companies, networking, building relationships and attending industry trade shows.

(At this point, by the way, he still doesn't own a landscape business.)

Relocating to Denver in 2004, he calls five of the top local companies and has them create plans for his landscape, simultaneously gathering corporate intelligence. He finds a business he feels has best-in-class products and services, and tells the owner he

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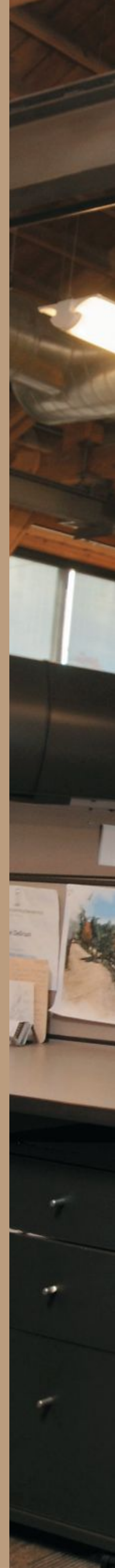
BY ***NICOLE WISNIEWSKI***, EDITOR-IN-CHIEF



Michael Hupf,
CEO, Lifescape Associates

PHOTO BY: LARRY LASZLO; WWW.PHOTOLASZLO.COM

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wants to bring the company best-in-class processes and profit to complete the business picture. Instead of starting from scratch, he invests in an existing business.

Though he came into the industry at the height of the housing bubble in 2006 (admittedly not the best time), he holds his own through the recession because though quality services aren't garnering the same price, his focus on processes has elevated productivity and retained some profit. And obtaining investments from private partners in the Green Industry in 2010 to help his company through this economy and eliminate some risk wasn't a bad strategy, either.

Meet Michael Hupf, CEO of Lifescape Associates. He has studied and continues to study business. He has researched and continues to research the Green Industry. He's your new typical landscape business owner and networking peer. He's also your new competition. And his investment dollars, among others, are drawing lots of attention to the industry.

THE INDUSTRY

Considering today's tough economy, "it's ironic there's a lot of money out there right now" for investing, says industry consultant Judy Guido, Guido & Associates. As the economy suffered, people took their money out of anything high risk and put it into more guaranteed investments — cash or money market positions. "If they did it in time and didn't get hammered, they still have money to invest today," Guido explains.

And since many people "got burned with traditional investments in the recession, now they are looking for something different that has stability, recurring revenue streams and is in line with growing trends," Guido adds.

Enter landscape services, which at this point have developed a track record for weathering recessions well.

During the 2002 economic downturn, for instance, the landscape and garden industry saw growth (12%) where others fell short, according to Business Wire. In fact, "gardening held its own in the recessions of 1982, 1987 and 1990-1991," says Bruce Butterfield, market research director for the National Gardening Association. "It doesn't, therefore, make sense to fear dramatic losses in this industry even if the economy is facing hard times again," adds Raymond Lawrence, a franchising expert and author for EZine.

There's proof of stability.

For recurring revenue, look no further than maintenance. The recession proved the "hardiness of the 'maintenance is king' business model," explains Brian Corbett, managing partner of Atlanta-based CCG Consultants. According to *Landscape Management*'s Industry Pulse report, the average maintenance company grew 6.6% in 2010 — more than any other service. Despite real estate's hardships through the recession, it's still one of the "most expensive assets anywhere so people have to protect and maintain it," Guido says. "They will do what's necessary to keep property values up."

continued on page 17

The next big announcement will be…

MANY INDUSTRY OBSERVERS, mergers & acquisitions advisers and consultants agree there is a growing amount of investment dollars already in the Green Industry, and this activity will continue to attract other investors.

But the biggest impending announcement this year may be the sale of a portion of the biggest property of all — TruGreen, No. 1 on the *LM*150 list, reporting $1.3 billion in 2009 revenue.

In November 2010, in its filing with the Securities and Exchange Commission, TruGreen's parent company ServiceMaster publicly announced its intent to exit the landscape maintenance and design/build segments of the industry with the potential sale of its TruGreen LandCare division.

This came after a nearly 8% decrease in revenue in its landscape segment and a 2010 third quarter that amounted to a $5.2 million decrease in operating income, a 9% drop in contract maintenance and an 8.3% decline in enhancement sales compared to one year prior.

"That's a $225 million piece of business that's up for grabs right now," says Mark Long, a partner with BlueSky Group in Powell, OH. "It'll be interesting to see what happens here."

TruGreen LandCare was born in the mad acquisition dash in 1998-1999 of prominent regional landscape companies by ServiceMaster and rollup upstart Landcare USA, which sold to competitor ServiceMaster in March 1999, shortly after the landscape arms race began.

Today, TruGreen LandCare has operations in more than 100 locations in 40 states and generates about 14% of ServiceMaster's annual revenue. By contrast, the TruGreen LawnCare segment delivers 32% of the company's revenue.

ServiceMaster has engaged Morgan Stanley and Goldman Sachs as its advisers and Sidley Austin as its legal adviser in the process. Pat Spainhour, ServiceMaster CEO, says the options could include business sale, sale of certain business assets or a restructuring of the business.

"I would think this would happen right away," predicts Long, who spent nearly 20 years with Barefoot Grass and almost a decade running Scotts LawnService. "Strategic buyers looking at acquiring the whole thing may think, 'ServiceMaster wants out badly so I can get this on the cheap.' But if a buyer doesn't come to the table with an offer that makes sense, it may not happen that way."

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This is particularly the case with commercial properties — "retailers who want to attract customers and office parks that want to retain tenants and keep properties safe for employees to come and go," Guido points out. "People may not be building new apartment complexes and office buildings, but they know if they don't take care of the external appearance of the buildings they do have, they will not rent them," adds Ron Edmonds, president, The Principium Group, Cordova, TN.

The recession also brought additional maintenance opportunities with tending foreclosed homes and stabilizing suspended construction sites, Guido adds.

Then there's the growing sustainability movement, though "the correlations between the Green Industry and sustainability are not that clear yet to a lot of people," Edmonds says. "I think it may be part of the sizzle but not necessarily the steak," industry consultant Jeffrey Scott adds. "But it's a trend where investment dollars are likely to show up," Edmonds confirms. "Efforts toward sustainable landscapes will attract more interest."

"THE **BEST AND BRIGHTEST MINDS IN THE WORLD**, LIKE MSD CAPITAL AND LEONARD GREEN, HAVE SCOURED ALL THE INVESTMENTS OUT THERE AND **CHOSE THE GREEN INDUSTRY** AS A PLACE TO PUT THEIR MONEY."

– JUDY GUIDO

The reason? Landscaping is gaining a reputation as something "we can't stop doing or it could have a negative effect on the earth," Guido says. "You can't cut down all trees or replace all turf that helps limit erosion or use up water without care — life would cease to exist. It's a life science we need."

What investors look for are guarantees. And sustainability does bring this where regulation and compliance issues related to depleting natural resources and environmental quality are concerned, Guido says. "Landscape companies can become the answers to problems like runoff and stormwater management or water conservation," she explains. "There is also a new generation of products, such as smart irrigation controllers, that will need to be installed to update properties and bring them up to compliance to avoid fines or penalties."

Ultimately, this trend may still take some time to play out since "no one has been able to identify actual savings in sustainability just yet," explains Edward Schatz Jr., president, Yellowstone Landscape Group's Southeast Region.

Though some of these Green Industry attributes have been known for a long time — like the recurring revenue and resilience of maintenance as a service offering — today "these

PHOTO BY: LARRY LASZLO; PHOTO (ABOVE) COURTESY: GUIDO & ASSOCIATES

The investment circle

WHEN MICHAEL HUPF invested in Denver's Lifescape Associates, he approached company founder Charles Randolph with some outside perspective ideas for his business.

He didn't really know he was saying all the things that, at the time, Randolph really wanted to hear, including the words "succession plan."

They worked out a deal where Hupf buys some of the company up front coming in as a minority owner and then buys more of the company over time, giving the employees time to adapt and Randolph a chance to slowly exit the business.

At the time, the company was 95% design/build and 5% maintenance.

Of course, Hupf admits at the time he didn't see the recession coming as harshly as it did. He knew he'd need to make Lifescape a more balanced company.

Today, the 35-year-old, nearly $5 million business is 85% design/build and 15% maintenance. Since these transitions don't happen overnight, Hupf sought out what he provided Randolph with in 2004: investors. He approached industry friends and laid out his strategic vision, asking them if they wanted to be a partner in that growth. A few private industry investors "helped us stabilize and move forward — that's where the investment dollars go so we can focus on growing," Hupf says.

Hupf believes business owners in today's economy have to be able to quickly adapt. And if that means not doing everything yourself, that's OK. "Don't be too proud to seek out consultants and advice from others or bring in partners and even investors," he says, adding that by developing a streamlined sales and marketing strategy with the help of an industry consultant he was able to grow Lifescape's close ratios from 30% to 70% in five years. "It'll help you improve your processes and become more efficient. It's all about working smarter — that's how we'll get through this recession."

elements of the industry are showing up on people's radar screens as more attractive on a long-term basis," Edmonds says, "and others are just beginning to be understood."

THE MONEY

Hupf isn't the only one of his kind in the Green Industry today. In fact, the top three companies on the *LM*150 list are all backed by investment dollars: Clayton, Dubilier & Rice holds a majority stake in ServiceMaster, TruGreen's parent company; Leonard Green backs Brickman; and Michael S. Dell's MSD Capital backs ValleyCrest.

"The best and brightest minds in the world have scoured all the investments out there and chose the Green Industry as a place to put their money — that says something," Guido points out. As a result, "we see a lot more people from the outside looking in."

"There's definitely more of an interest in the industry today," Edmonds concurs. "We know the major players are investing. We know there's a lot of discipline in the investment process and that they've done extensive homework before choosing where to put their money."

Edmonds has received more than a couple of calls from investment bankers who lost their jobs in the recession and want to invest in the industry. Scott mentions clients from the IT industry who have invested in the landscape market recently — one a 20-year veteran of IBM. "There's no doubt the influx of people in the industry at the local level has been people voluntarily or involuntarily leaving the corporate world looking for something in which they can control their own destinies; it's more significant than it's been in the past," Edmonds explains.

And while the majority of deals happening this year will be coming from the larger, established strategic buyers, such as ValleyCrest, Brickman and Yellowstone, predicts Mark Long, a partner with BlueSky Group in Powell, OH, ((ValleyCrest's purchase of Raymow Enterprises and Nanak's Landscaping and BIO Landscape's (Yellowstone) purchase of Agrilawn are a few examples from December 2010)), the private investment category may prove more exciting to watch over the next couple of years, Edmonds says.

"Michael Dell is the zenith of the family wealth category of investors, sure, but there are so many others," Edmonds says. "There is more money in the family wealth category than in all the private equity firms put together. What's neat about them is they invest in similar ways to private equity firms but their attitude toward exit strategies isn't confined to what they committed to when raising the money for the fund. A private equity firm may have committed to a five- to 10-year term but a private investor may be focused on an opportunistic goal in the future that doesn't limit them to a time period."

This means the possibilities for investments to continue in the industry are endless, Edmonds adds. First of all, exit activity in general was up 25% in 2010, according to figures released in January by Dow Jones VentureSource. Second, according to Wayne Simpson, CPA with Utah Business Consultants, Baby Boomer entrepreneurs will bequeath $10 trillion worth of assets, much of which is tied up in privately owned businesses, over the next two decades. "It is estimated that more than 70% of these businesses will change hands during the next 10 to 15 years," he says. And many won't just go to the next generation, particularly if there isn't a next generation lined up to take over.

An example of this is December 2010's sale of Nanak's Landscaping to ValleyCrest Cos. Nanak's founders Sampuran Khalsa and Mahan Kalpa Khalsa don't have children in the business. And their $35 million business was too big to try and sell to the employees, says Corbett, who represented Nanak's in its sale to ValleyCrest. "They needed a plan for the future and this made the most sense for them," he explains.

"WE KNOW THE **MAJOR PLAYERS ARE INVESTING.** WE KNOW THERE IS A LOT OF DISCIPLINE IN THE INVESTMENT PROCESS AND **THEY'VE DONE EXTENSIVE HOMEWORK** BEFORE CHOOSING WHERE TO PUT THEIR MONEY."

– RON EDMONDS

PHOTO COURTESY: THE PRINCIPIUM GROUP

THE BOTTLENECK

Nanak's Landscaping is also a good example of what all of the members of this increasing pool of outside industry investors are after: commercial maintenance. The problem? Large, 100% commercial maintenance companies like Nanak's available for sale are, as Schatz describes, "pretty picked over," especially in certain markets like the Sunshine state.

"Investors are hesitant to look at firms with sizable pieces of design/build in their revenue mixes" since the construction industry, and design/build companies in the landscape market as a result, suffered so much through the recession, Long says.

In fact, "at the end of the day, not a dollar of value is being placed on installation work — where $1 of EBITA in maintenance will get you a multiple, $1 of installation will get you less than one," Schatz says. "We will take some exposure to design/build as long as the company is primarily maintenance driven and shows profitable growth. Even if they have a niche or solid backlog of work, there is still not much value being placed on it, and I don't see this changing for at least the next 24 to 36 months."

And since the residential housing market suffered first, commercial was the target for design/build companies looking to expand into safer territory, stabilize and, ultimately, grow.

But don't leave out the opportunity in residential maintenance, some industry observers insist — Edmonds has noticed some deals moving on the residential side. In commercial maintenance, "competition is fiercer then it's ever been," he says. Efficient businesses have the edge because they can offer more competitive pricing. So "the margins are better in residential right now because you don't have as many sophisticated companies going after the same contracts," explains Robert Taylor, president of Yellowstone's Southwest Region.

Another option is to focus on niche maintenance services that aren't as affected by price as a result of heated competition, such as tree care or lawn care. "Tree care has been pretty stable," Taylor says, adding for this reason BIO purchased Texas Services in December 2009. "I think almost everyone places a high value on every tree they have so people are less likely to cut in that particular area.

"Lawn and fertilization programs are also still making margins, but sales are a lot harder," Taylor adds.

In general, all investors today are driving a harder bargain.

In a recent *New York Times*' article, Business Valuation Resources' Adam Manson says "acquisitions are recovering more favorably for companies with revenues over $5 million." Sales prices for small businesses have been on a downward trend, with companies selling for an average of .52 times net sales in 2008 and .48 times net sales in 2009. But companies with revenue less than $1 million sold for an average of .29 times net sales in 2009, according to data from Toby Tatum, a certified business appraiser using the BizComps database.

In the landscape industry, multiples of roughly 3 to 5 have been the norm, Edmonds says, adding "a 5 transaction is getting pretty rare. Opening rounds of negotiations have been starting lower."

In addition to offering maintenance, companies that have strong brands and customer relationships, quality niche services and good margins will get the best valuations, Guido says.

THE NEW FACES AT THE TABLE

As investments continue in the Green Industry, one of the most intriguing benefits is the outside experience bringing a fresh perspective to the business of landscape contracting.

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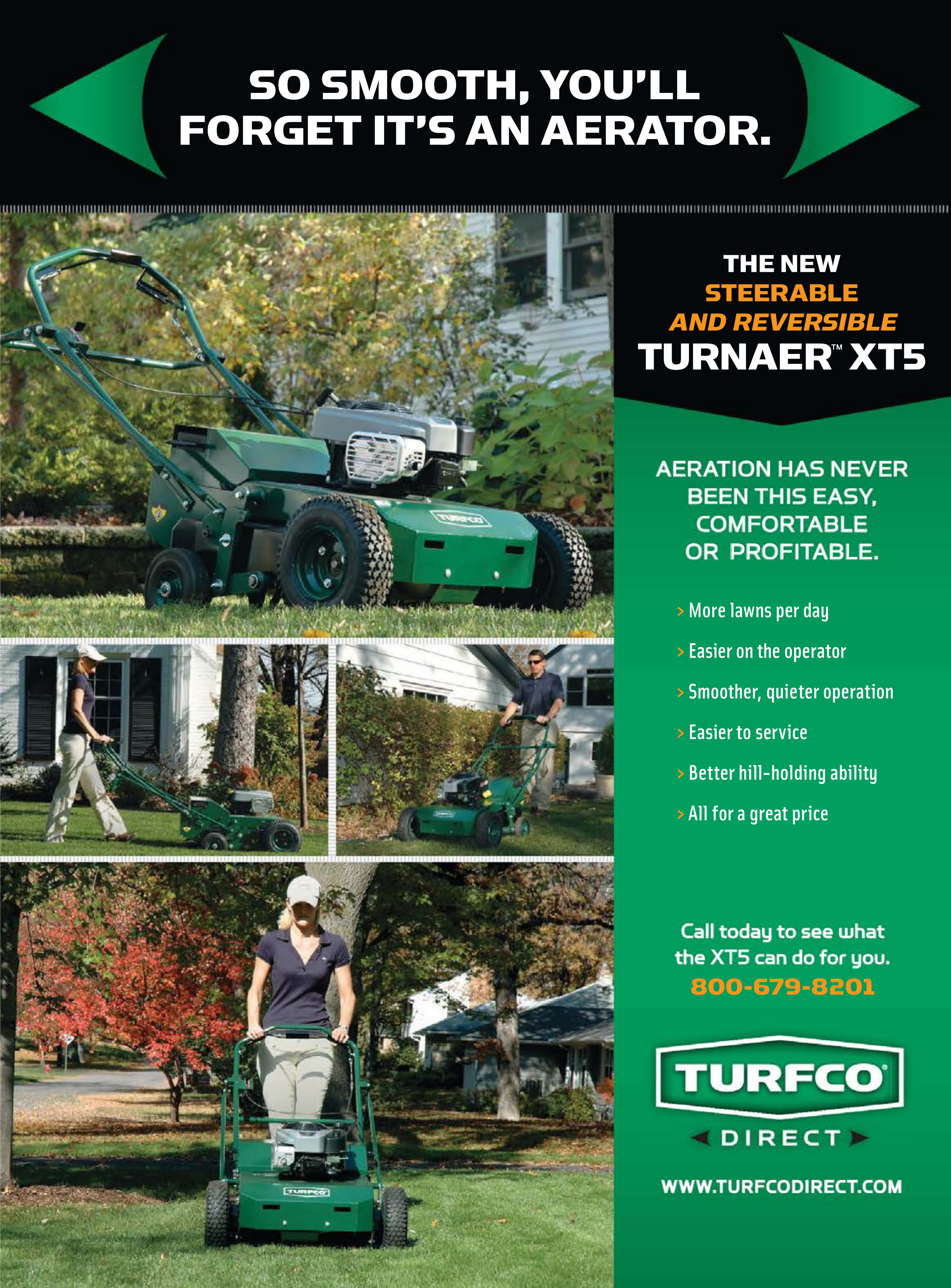

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The exit strategy

WHAT HAPPENS WHEN all these investors flooding into the Green Industry want to cash out and exit the business? Not much. In fact, as Scott Brickman, Brickman's CEO says, it's like changing banks.

In 1998, Brickman brought in private equity partner CIVC Partners "to create liquidity for my family." In 2007, he did it again with Leonard Green & Partners — this time to create liquidity for his family, the Brickman management team and for CIVC.

And since in both instances the private equity partner owned less than 50% of the company, nothing changed from an operational and leadership perspective — it was "business as usual," Brickman says. "It's a way to manage our capital structure." Brickman, who acquired Colorado's $13 million The Green Plan in early 2010, was No. 3 on the *LM*150 list of landscape businesses with 2009 revenue of $687 million.


Scott Brickman

The continued investment by private equity firms in Green Industry businesses like Brickman "creates awareness for the industry and our business model," Brickman says. "It raises our industry's profile with investors and others in the financial world. It benefits the industry as a whole."

But buying and selling businesses isn't where the process ends, Brickman insists. At the end of the day, "we're landscapers," he says, adding he spent this particular morning with two region managers talking about spring plants and staffing for edging and mulching work, as well as best methods of performing those services. For Brickman, who views acquisitions as opportunistic as they come along and prove to be a good fit for the business, this means retaining teams and retaining customers. "In 80% of the acquisitions we have made, the customer renewal rates at those companies have stayed at historic levels or improved," Brickman boasts. Since acquiring D. Foley Landscape in Walpole, MA, "CEO Dan Foley has renewed 100% of every job he had for the last two years and almost doubled the size of his business," he adds, proudly. "It's all about creating value."

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Not only do the companies involved in these investments benefit, but so do industry peers who share roundtables and peer groups with these new players.

"A lot of successful people in the industry woke up one day and realized they were making a lot of money — it was sort of right place, right time," Edmonds explains. "And our industry became oversaturated with installation companies when the market was hot," Schatz adds.

"Now we're seeing people kicking the tires more trying to understand the business and knowing they can be successful at it," Edmonds says. "It's a different kind of mentality, a different kind of owner."

Schatz explains the trend: "I think our industry is becoming more sophisticated and commercialized. As you draw more intelligence to the industry and operations become more efficient, it raises the level of competition and drives innovation. The more intelligence you have working with you, the more intelligent you become."

As the industry adapts and grows, "this will continue to attract more investment dollars," Hupf adds.

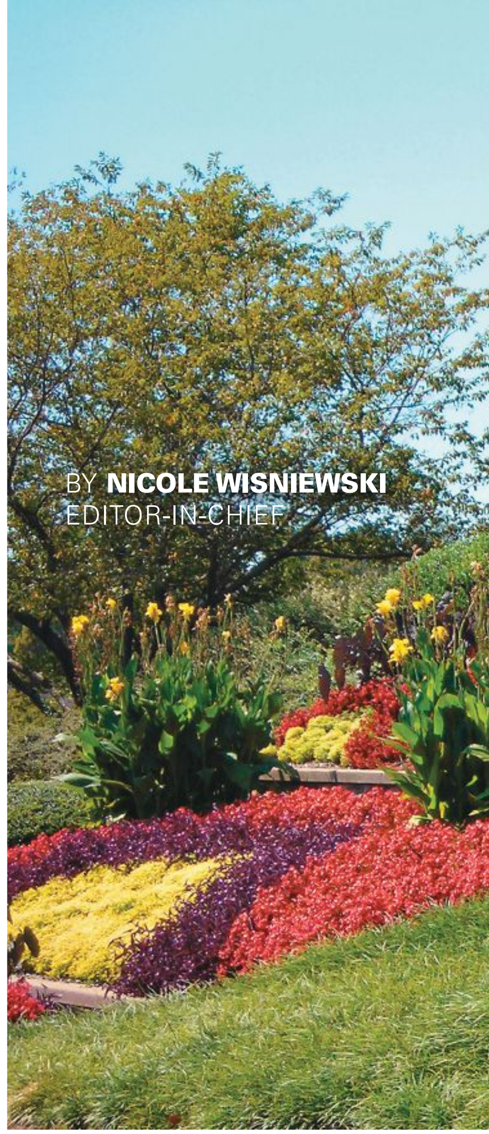
And, maybe the best benefit, as Guido points out, is "all of this activity will continue to raise the caliber of the industry." LM

PHOTO COURTESY: BRICKMAN

BUY & BUILD

Yellowstone's focus proves to be its greatest strength.

BY **NICOLE WISNIEWSKI**
EDITOR-IN-CHIEF



WHEN GRIDIRON Capital-backed Yellowstone Landscape Group first debuted in 2008 with the acquisitions of Houston's BIO Landscape & Maintenance, Atlanta's Piedmont Landscape Contractors and Bunnell, FL's Austin Outdoor, it had a specific focus: "Create regional platforms that didn't compete with Brickman and ValleyCrest on a national level but competed well with them in a tight geographic region. Buy good brands in local markets and bring value to the table by creating infrastructure to accelerate and support organic growth and providing capital to do acquisitions," explains Owen Tharrington, principal of private equity firm Gridiron.

The purchase of these three companies — $19 million BIO, $30 million Piedmont and $42 million Austin Outdoor (as reported in the *LM*100 list at the time) — was to create critical mass out of the gate, giving them an instant industry presence. Then those three companies were charged with growing organically and making additional acquisitions in their respective markets. By 2010, they were No. 11 on the LM150 list with more than $80 million in revenue.

While Austin was predominantly commercial maintenance, BIO and Piedmont had more design/build in their service portfolios. Though based in a tight geographic spread across the Sunbelt states of Texas, Arkansas, Mississippi, Alabama, Tennessee, Florida, Georgia, the Carolinas and the Bahamas, this was enough diversification to counter economic challenges during the recession — even with that bit of design/build in the mix. "We had planned on the construction business trending downward, not jumping off of a cliff," Tharrington says. "We focused the companies on building their maintenance business from day one and had just enough geographic diversity to have balance in a tough economy."

While the economy's total effect on design/build hit many businesses, it was also a reminder for Yellowstone, which is now altogether 80% maintenance. "If the economy were better we might have been more inclined to keep expanding beyond what we laid out in our original business plan," Tharrington says, explaining they could have acquired more companies in new states that may have veered from their core focus. "Now, we say here's what we set out to do, let's focus on this and not get distracted chasing what might be a good deal in an area in which we're not yet established."

And this eagle eye focus on its core goals is proving to be Yellowstone's greatest strength.

Shared business intelligence

Contrary to popular belief, Yellowstone's plan isn't all about acquisitions.

"We've passed up some opportunities because we were unwilling to grow for the sake of growing," says Edward Schatz Jr., president, Yellowstone's Southeast Region, and founder of Austin Outdoor in 1994. "We want profitable growth."

PHOTO COURTESY: YELLOWSTONE LANDSCAPE GROUP

Today, Yellowstone Landscape Business is an overall 80% maintenance company, with a large focus on commercial properties.

Tharrington agrees. In today's economy, "maintenance is stable — it's not explosive growth, but it's solid, steady growth that brings good cash flow," he says. "If you have a good base of business in an industry that's so fragmented like the Green Industry, that leaves you opportunity to grow organically, set up branches in new local markets and upsell enhancement work at good margins.

"And if we also get an acquisition done in that market, that's great — it's gravy," he adds.

A good example comes with Yellowstone's initial Texas-based acquisition BIO. BIO's founder and president of Yellowstone's Southwest Region Robert Taylor is looking at $38 million in revenue in 2010 — more than doubling in size after selling to Yellowstone at $17 million in 2008. The majority of that growth was organic ($11 million) with $10 million coming from acquisitions. The driver was growing the sales team from two to 15 people, Taylor says. "The goal I set when we sold was I wanted to be at $50 million by the year 2013, and we're on track."

When acquiring companies, Yellowstone has stuck to its mission — "local knowledge and focus with a national presence," Schatz describes. This means acquiring people in addition to companies. "Yellowstone buys companies where the owners want to stay on board and remain engaged, bringing their own strengths in operations or sales to the organization," Tharrington explains. "We haven't done a deal yet where the owner hasn't come to work for us."

To create infrastructure, Yellowstone, the holding company, has relied on people with experience outside of the industry to bring a new perspective to operations at its three operating companies in historically challenging areas for landscape business owners, namely finance, IT, HR, acquisitions and other business management support. The company's CEO John Miller is one example. He's worked for General Motors, General Electric and telecommunications and renewable energy businesses. CFO Cork Van Den Handel also has more then 30 years of experience in finance and engineering. Even BIO's Taylor brought outside industry experience to the organization with a history as an accounting exec at Exxon before he started BIO in the 1980s. "We create value by identifying areas of improvement and bringing business best practices to the table," Tharrington says.

This is something they call "shared business intelligence" or "support that brings a fresh perspective, yet still let's you operate solo," Taylor says. "You come up with a strategy and decide how much you can grow organically and how much will come from acquisitions and you build a plan. But you also have some direction — instead of being a small boat bobbing in the ocean, you're an ocean liner charting a careful course."

Long-term focus

Just like any other business today, Yellowstone has had to battle the challenges that come with recession.

In Florida, for instance, "it feels like no one can call the bottom but it seems to have slowed down to the point where we're starting to see incremental improvements in certain areas," Schatz explains. "Florida is so overbuilt and there's so much lagging inventory. During the past three years, we've been dealing with service reductions and becoming more efficient so we can still deliver on the expectations of clients."

Tharrington "can't imagine the industry can get much worse than it's been the past 18 to 24 months. "It's somewhat energizing to know we've gotten through the worst of it. The management team is

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still motivated, and if we can get a tailwind from the economy, the hard work we put in the past 18 to 24 months will pay off in terms of having picked up marketshare, improved operations and streamlined systems. If you take corrective measures when things are down, you rebound much quicker."

But at the end of the day, an investment isn't a successful one until the money is in the bank, Tharrington says. "We're focused on our end goal: creating a significant, regional landscape maintenance organization with an established leadership team and good business practices that should be attractive to a strategic or financial buyer."

And to achieve this takes long-term focus, which is a natural part of the commercial maintenance game plan. "Maintenance is a much harder business to grow compared to design/build," Tharrington says. "The sales cycle is longer with annual or multi-year contracts. If you're targeting a specific property, that work doesn't always come up for bid very often, especially if the existing service provider is doing a good job. You have to keep account attrition low to grow the business. So, as an investor, you can't expect to get in and out very quickly.

"We were unwilling to grow for the sake of growing. We want profitable growth." — ED SCHATZ

In 2011, "we are starting to see signs of an economic recovery, and the improvements we've made to the business over the past three years are paying off," Tharrington adds. "Plus, the lending and economic markets haven't killed mergers & acquisitions activity, and we have plenty of capital." LM

POWERED BY DELL

The largest family business in the industry is backed by the largest family investment firm in the country.

BY **NICOLE WISNIEWSKI**

IN DECEMBER 2010, two name brands in Florida landscape maintenance ($34.5 million, Longwood-based Nanak's Landscaping and $12.5 million, Oldsmar-based Raymow Enterprises) merged with Calabasas, CA-based ValleyCrest Cos. Combined, the deals increased the size of ValleyCrest Landscape Maintenance 10%; the company now employs more than 3,100 people in the state.

But what does this acquisition show above all else? According to Brian Corbett, managing partner of Atlanta-based CCG Advisors, "it shows that MSD Capital is committed to continuing to help ValleyCrest grow with the focus on acquiring exclusively maintenance businesses."

MSD Capital is the firm computer mogul Michael S. Dell created to manage the majority of his fortune. MSD Capital bought 51% of ValleyCrest Cos. in 2006 and has an estimated $17 billion fortune that is spread across a diverse portfolio of companies, including restaurants, car-related companies and landscaping, as reported in *The New York Times* in November 2009. "MSD Capital has set a pattern of jumping into consolidated markets and using its capital to give one player an edge in scale and efficiency," *The New York Times* reported.

And Dell's investment in ValleyCrest has done well. "Despite the roughest economy in decades, ValleyCrest … is growing, as it has historically, by about 12% a year," *The New York Times* explained.

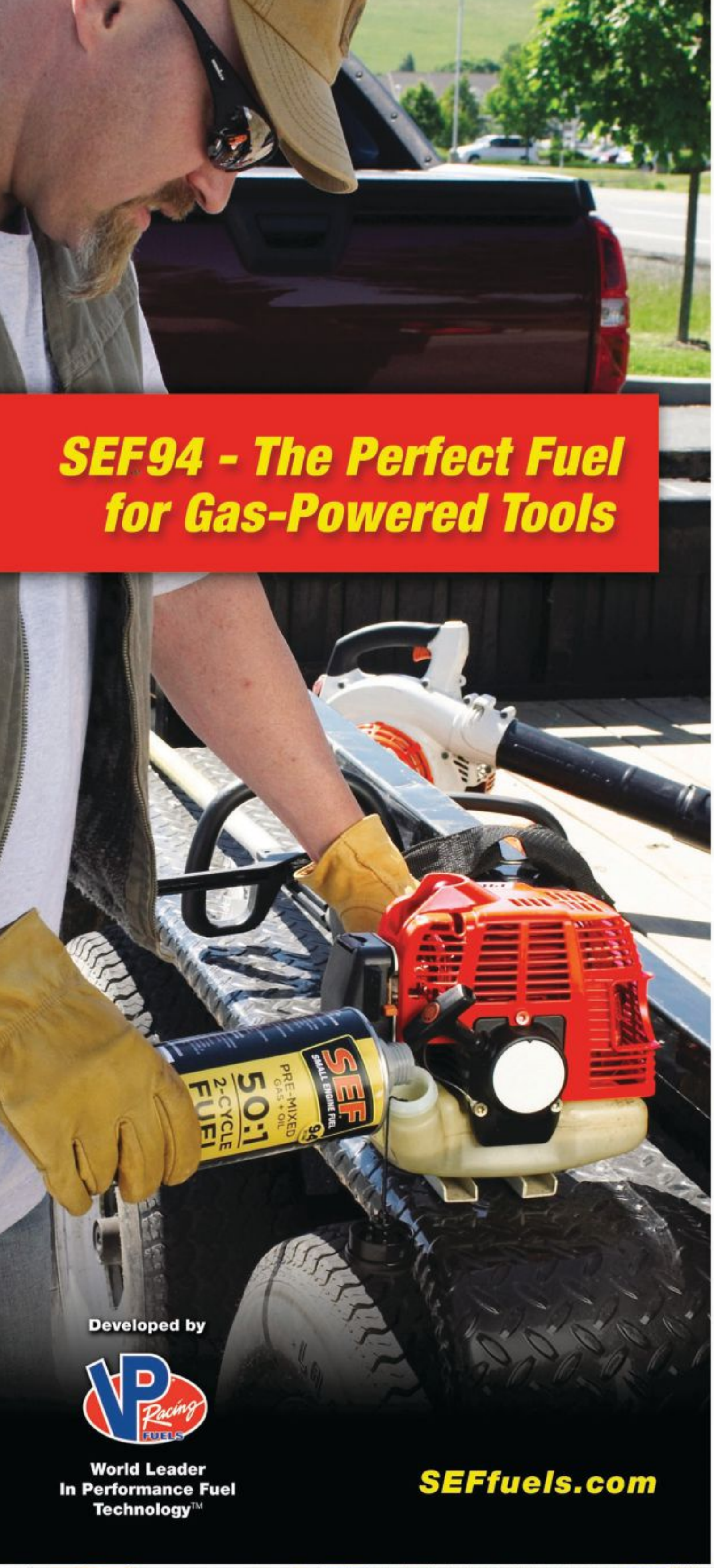
These most recent acquisitions by ValleyCrest in Florida also show the company's focus on design/build is changing when it comes to buying businesses. "Design/build is not as attractive today as it once was from an investment standpoint — the macroeconomics aren't as healthy as they once were," Zino explains, adding the company's acquisition strategy is more opportunistic than planned.

Roger Zino

PHOTO COURTESY: VALLEYCREST COS.

It also gives hope to landscaping in Florida, one of the first states hit by recession. "There are pockets of Florida now coming out of recession," Corbett says. "Construction in Florida is dead, but maintenance is still strong."

As Zino says, "the landscape is not a static thing — it's a living, breathing organism that needs maintained. And, luckily, trees and turf don't read *The Wall Street Journal* — they're still growing." LM



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BY CASEY PAYTON

The Grounds Guys

Reginald Schram never pictured himself in the landscape industry. Though his work in the interior design/architecture world with RRS & Associates, his own interior design and facilities planning firm in Ontario, had some parallels with landscaping, it wasn't a field he knew much about. But then he encountered The Grounds Guys, a commercial maintenance franchise group that also offers snow removal and other winter services for northern U.S. businesses. So when Schram was ready to expand his business ventures two years ago, he approached them. Two franchises later, he realizes it was a very good business decision.

Schram's first Grounds Guys experience was actually with Sunshine Grounds Care (before they became part of The Grounds Guys franchise line-up). They were hired to do the landscaping for a client he was working with. Schram was impressed by their professionalism. "I believe in appearance and detail since, as a designer, I'm often meeting with company presidents," says Schram. "I run my business wearing a suit and tie. In the same way, The Grounds Guys projected a very professional appearance with their uniforms and trucks."

The Grounds Guys was an attractive opportunity for Schram because of the systems the company offered. He knew it would allow them to launch the franchise, even without a history in the landscaping industry. From the start they felt the company's systems ensured a franchisee is never on his or her own. That feeling was strengthened when his franchise recently had to manage one of the first big storms of a new snow season.

"The corporate office has a system in place called a 'Care Ticket,' where a property manager can call an 800 number and let them know their issues, such as needing more salt," explains Schram. "The receptionist takes the message and emails us the Care Ticket. We have three hours to respond to the property manager and 'close' the ticket. That allows our guys to not have to worry about answering the phones, which would stop them from salting and plowing. When they get a break, they can respond to the ticket. It's just one small way the company is looking out for us."

Another way Schram feels corporate has supported him is through their sales efforts in a tight economy. "The company has actually helped us get leads, which shows their investment," he says. "We'll get calls saying they have a contract available for us. The company has people on staff who go knocking on doors on our behalf. I'd say it's a large percent of our total sales."

Of the lessons Schram says has resonated most with him is to work *on* the business, not *in* it. It's something that corporate really pushes in their seminars and something he wishes he'd learned 30 years ago with his design firm. "They don't want you out there doing the cutting and plowing. They teach you how to run and manage the business so you can grow it — but also so you can walk away and your business would still be operating."

Using McDonald's as an example to teach this in their seminars, The Grounds Guys' leaders talk about synergy. "No matter what McDonald's you go to, it's the same product — the same brand," says Schram. "They want us to have that same philosophy. Any Grounds Guys franchise has the same professional employee, truck and service. They look alike, but they also operate alike, allowing the franchise owners to put the structures in place and then walk away from the day-to-day activity, focusing more on the overall picture."

Schram says the systems in place allow him more of an opportunity to succeed. Corporate seminars provide constant training and updates, while they also offer manuals and guides with anything the franchise owner would need to know to run the business — from accounting to receiving the appropriate paperwork and forms that may be needed.

Looking toward the future, Schram is hopeful about growing the business, and leaving a legacy for his son. "One of the things they stress in the seminars is the importance of having a personal life and a family," he says. "It's the type of business I am proud to be involved in."

The author is a freelance writer with six years of experience covering landscaping.

PROFILE

Business owner: Reg Schram

Headquarters: Brantford, Ontario

Franchise owner timeframe: 2 years

Tips for contractors interested in franchises:

Trust your gut. You need to understand and trust the people you're dealing with. If after that initial handshake you walk away with a good gut feeling and confidence, then you'll know it's right. But if you don't know the people you're dealing with or have some insecurity, you may need to walk away for good.

Look at the structure. It's important to know what systems the company already has in place that will make your job easier; Something that will allow you to just walk in and get started right away. Make sure that structure is one that's going to make you feel supported as a franchisee.

Find balance. Make sure it's a company that embraces family life. As a new franchise owner you can get sucked into working around the clock. Find a company that cares about your personal goals. That balance will make you more successful in your business, too.

PHOTOS COURTESY: GROUNDS GUYS

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BRUCE WILSON | The author, of the Wilson-Oyler Group, is a 30-year industry veteran. Reach him at bwilson@questex.com.

How to hire sales professionals for maximum results

Among the many challenges companies have one of the more difficult ones is the ability to grow the contract base fast enough to offset contract losses — and add to the top-line sales at the same time. Many companies have considered hiring a salesperson for the first time or adding to the sales staff to increase sales. This often frustrates companies, though, because the salespeople have had a hard time producing results. Lack of success is generally attributable to not hiring the right people at the start.

Often salespeople fail to improve close ratios; they are not generating enough activity to sell enough work even if they are successful in what they propose. In essence, they are not results-oriented. The end result is the owners come down on them — or worse — give up on them.

When going through written advertisements for salespeople and looking at resumes, the focus is usually on experience and education. Many resumes feature positions, responsibilities and, in a general way, accomplishments.

Some, however, feature results; when this happens, it should catch your eye — the failure or success of the salesperson is ultimately determined by results. If your company leaves the screening of resumes to your human resources team, remind them you are focused on *results*, or they might focus only on experience and education, job stability, etc.

Check the fit

These days, we see companies also focusing on "fit." Will the prospective salesperson fit? To do this, they look at how well the sales professional's personality meshes with the team. But tellingly, some of the best sales performers I have ever seen would not be considered a "fit" because they are focused on results. They are aggressive, results-oriented and make others uncomfortable because they speak their minds.

Another important part of finding the right salesperson would be to use a professional profile service specifically designed to help identify successful sales candidates. General profiles do not really give you what you want; they focus more on behaviors and are designed to help coach a person to understand how their behavioral tendencies affect their effectiveness. You want something that compares the candidate to other successful salespeople. Because salespeople are usually good communicators, they usually all interview well. A profile can help find potential chinks in their armor, which you can then probe.

There are many other important parts of an interview (see sidebar, left), but if you are looking for success measured by results, this part cannot be overemphasized. Take your time and make the right choice.

WEB EXTRA

For more sales hiring secrets, visit **www.landscapemanagement.net/results.**

INTERVIEW FOR RESULTS

Interviewing for results requires probing by the interviewer to the point of discomfort:

- What specific results were achieved by the candidate and how were they achieved?
- How did the candidate measure progress against expected results?
- When were the desired results first achieved in the last position? (How long before he or she was selling at the desired level?)
- Who developed the strategy to get these results?
- Whom can you talk to as a reference to confirm the results?
- How does the candidate relate relationship building to results?
- How does the candidate define a successful cold call?
- What is the candidate's plan for getting results in this position?
- How does the candidate confirm whether he or she is on track to achieve results in this position?
- What obstacles does the candidate see to achieving results at a new company?

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GOLF LAWN NURSERY ORNAMENTAL

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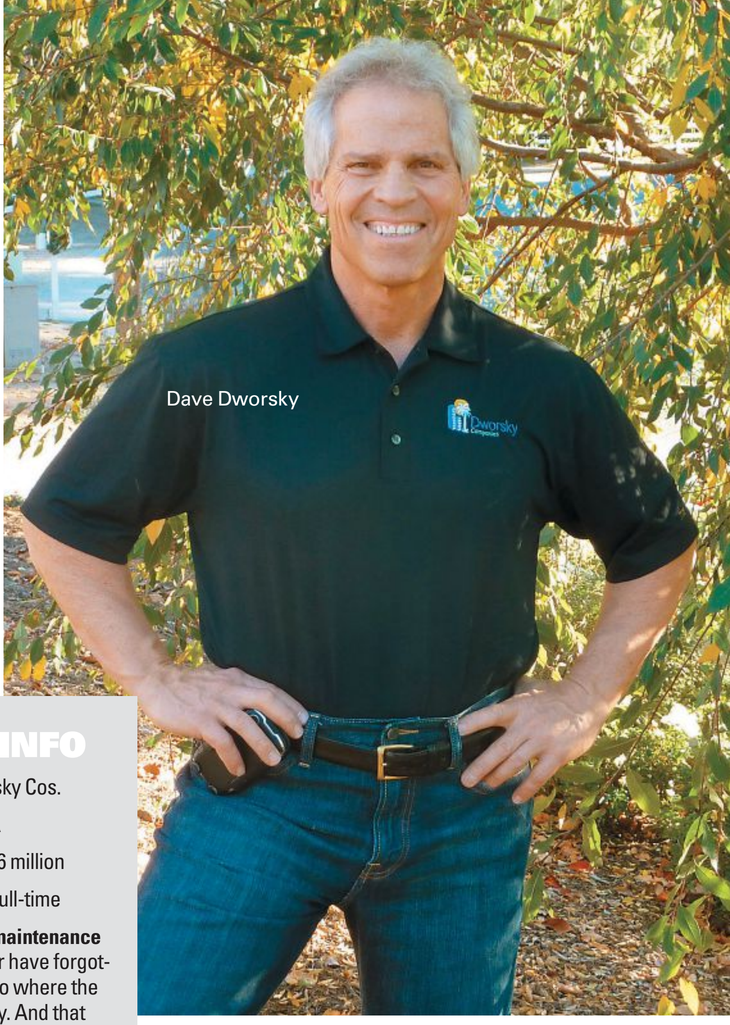
GREEN INDUSTRY MAINTENANCE LEADERS » **BY DAN JACOBS**

You might call **Dave Dworsky** a serial entrepreneur. For nearly 30 years, the owner of Dworsky Cos. has been buying, operating and selling a variety of service business. And since 1987, the Gardena, CA-based business has been evolving and providing customers with a variety of landscaping services.

Initially an interior plant business, Dworsky eventually sold that operation. "I then immediately ventured out in the business opportunity world and found a business that was synergistic with my old stable of clients and bought it, he says. "Throughout all the past business opportunities, I did learn the value of proactive, persistent and routine and consistent client communication. What illustrates this best is the client following and loyalty I have been blessed with through all my business transitions. Never have we forgotten them, nor have we ever taken anything for granted."



Dave Dworsky

INSIDE INFO

Company: Dworsky Cos.

HQ: Gardena, CA

2010 revenue: $16 million

Employees: 350 full-time

Keys to being a maintenance leader: We never have forgotten how we got to where the company is today. And that has been by taking care of the client and taking nothing for granted. We also maintain a flexible, resourceful and communicative company culture. We take care of our techs, our managers and our vendors. We also offer unique client programs to ensure client retention and commitment. The diversification of our client base, innovative operating and management technologies and the continuous challenge of management recruitment will continue to keep us at the forefront.

TRENDS

› **The environment.** Many trends today center on environmental consequences, like water management, the need for 'smart controllers' and the installation of drip systems, to mitigate inefficient water usage. Other examples of big industry trends are the installation of drought-tolerant plant materials and the goal of creating innovative plant designs to facilitate budget-reduced 'discretionary' plant replacement budgets.

› **Education.** Another trend involves continuing education and, for example, becoming certified in some of the key landscape component tasks such as irrigation auditing and effective, efficient irrigation design.

› **Diversification.** Besides our core landscape maintenance business, many companies are turning to other, ancillary services — offering their customers a bundle of service opportunities outside of the typical grounds maintenance tasks, like graffiti removal, environmental cleaning and sweeping services, to name a few.

OBSTACLES

› **Budget restrictions.** Some of the biggest obstacles facing our market are overall budget restrictions and reductions. Keeping pace with the client's continuous requirement for a 'good-looking' project while coping with a major landscape budget reduction is another challenge — and all this while maintaining reasonable margins will be difficult at best.

› **Regulations.** Local and state water restrictions make plant choices and grounds management difficult.

› **Costs.** Educating the client on the need to modify specifications is always a paramount. Insurance costs and the 'statutory' increases in Workman's Compensation are always looming. Last but not least are the 'expected escalations' of oil prices and their impact on our fuel costs. We have to be competitive while being creative.

OPPORTUNITIES

› **Growth.** I believe there are a number of wonderful opportunities ahead of us for 2011. For those companies whose plans are to grow organically with the expansion of existing and new client opportunities, there are also a number of organizations with the financial flexibility, business creativity and management horsepower who will have the ability to acquire companies within their market regions as tuck-ins. There is a wide window of this type of opportunity for those who wish to consolidate operations with the prospects of growth while achieving the anticipated economies of scale. We have done three in the last two years, and we will hopefully do more in 2011.

PHOTO COURTESY: DWORSKY COS.

Educate to aerate

Knowledge is the power to getting more clients signed up for aeration services.


Core removal through aeration helps breathe life into a lawn.

NEW ENGLAND IS a good market for aeration. The clay soils, thatch build-up and soil compaction issues make it a valuable service to improve the overall condition of turf. However, Cliff Drezek, general manager of Arbor-Turf Services, Inc., in Marlboro, MA, says that doesn't necessarily make it an easy sell. When the company first introduced the service in 1995, it didn't catch on right away. He saw a need for it among his existing clients' lawns, but it required education for them to understand that need for themselves. It's just one of those add-ons that takes persistence, says Drezek. You often need to pitch the service and remind clients about its benefits several times before they give it a shot. Once they do, and they witness the benefits, making the sale next year is much easier for this annual service.


Cliff Drezek

One reason aeration can be initially tricky to sell is clients don't really understand the benefits. Drezek says a big part of selling the aeration service is being knowledgeable and fine-tuning the sales pitch to the client's needs. "Whether it's a thatch problem, a soil compaction issue, or maybe even drought, you need to explain how the process will stimulate grasses to fill in and improve the overall quality of the lawn," he says. "The long-term benefits in the health of the turf are very noticeable."

But it's not something that looks different overnight, so that's where education comes in. Once they see those long-term benefits, they'll understand and likely become repeat clients for the service.

LESSONS LEARNED

Marking sprinkler heads on a property that's about to be aerated is a service Drezek says the company now charges to handle. His employees used to spend as many as 45 minutes marking all of the heads on a large property, which was time and money lost. "Now we add it as a priced service in contracts if clients don't want to do it themselves," he says.

But no matter how diligent crews or the client is in marking heads, puncturing an irrigation system can still occur. As a result, Drezek recommends crewmembers are trained to do some minor repairs, such as fixing a damaged irrigation line. That also requires having basic parts and tools on hand.

Another challenge the company has faced since they began offering this service is finding out the hard way that irrigation systems aren't the only on-site concern. After damaging a few invisible fences, Drezek says the company quickly learned how important it was to communicate with the client. "In terms of a lesson, that was baptism by fire," he says. "We hit a few invisible fences and found they are very expensive to repair. It could be $500 just to fix one damaged area of the fence. You realize how important it is to make sure you know who has one and where it's buried."

In terms of marketing, Drezek says he uses leave-behind printed materials and talks one-on-one with the client to pitch the service. It all comes down to education. They have to know what it is and why they need it. "Overall, it's a very good service to add on, and the customer will get a lot of value out of it since it will make their turf that much better," adds Drezek. "And it can be a great enhancement for business, as far as profitability is concerned. Like anything else, it's just a matter of getting your clients initially interested."

The author is a freelance writer with six years of experience covering landscaping.

» SERVICE SNAPSHOT

COMPANY NAME: Arbor-Turf Services, Inc.

HEADQUARTERS: Marlboro, MA

WHY AERATION? The clay soils and thatch problems in the region made it a no-brainer.

INITIAL INVESTMENT: You can start out with a walk-behind aerator, which is easier to get to the site. If using a tow-behind aerator, you'll need the tractor to pull it and a trailer to haul it. You'll also need some tools for making minor irrigation repairs, hand tools to do minor lawn repairs on any area that gets torn up, and flags to mark the sprinkler heads if you plan to offer that service.

INVESTMENT RECOUP TIME: First year, if you have a client base.

WHY CUSTOMERS LIKE IT? They get an overall healthier looking lawn.

PHOTO BY: ISTOCK INTERNATIONAL INC. (TOP); PHOTO COURTESY: ARBOR-TURF SERVICES

PHOTO COURTESY: U.S. LAWNS OF WESTERN KENTUCKY

While you may not be able to fix past mistakes, learning from those errors is the next best thing. **Mark Carrico**, owner of U.S. Lawns of Western Kentucky, reflects on the seven years since he purchased a U.S. Lawns franchise. "I would have liked to be bigger than we are right now," he says. "Those first years I was too conservative. I felt if I got too much work I couldn't get it done. I was really conscious of doing whatever I got as good as I could and to build a good reputation. I should have been more aggressive because I found out I could do it."

AT A GLANCE

COMPANY NAME: U.S. Lawns of Western Kentucky

HEADQUARTERS: Mayfield, KY

OWNER: Mark Carrico, president

EDUCATION: Murray State University, degree in agricultural business

FOUNDED: 2004

LOCATIONS: One

MARKET AREA: Far western Kentucky

NUMBER OF EMPLOYEES: 7 (peak)

SERVICES OFFERED: Lawn maintenance, enhancements, lawn care, snow

HOBBIES: Vacationing with family and friends

FAMILY: Wife, Beth, and daughter, Anna

Mark, we're hearing a lot about bargain basement pricing for lawn maintenance services. What are you seeing in the western Kentucky market? We're in a mostly rural area. We work out of Mayfield (pop. 10,100), but we do work in an area 20 miles north to Paducah, southeast to Murray, east to the Lakes Region and to the Tennessee state line south of us. Paducah and Murray, where there's a university, are the biggest markets. Sometimes I admit I've been confused by the competition's pricing here. We've established production rates for every job we bid and sometimes our numbers are much higher than the competition and, on some properties, our bids are lower by a considerable amount. I guess some people are looking at jobs and just throwing out a price of what they think it is worth to them.

We understand you're in the process of building the lawn application portion of your company. Yes, this past year we bought a ride-on applicator, which I operated for the most part. The ride-on machine has been a good investment. Previously, we had done applications, mostly as part of our general maintenance contracts, but I still expect our employees to take care of any weeds they see in the beds or in the cracks of the pavement of our customers' properties. Our maintenance contracts are 90% commercial properties. Now, we're expanding our fertilization and weed control services to the residential market.

How are you going to market your lawn care services? My wife, Beth, started working for our company last year. She had her own career and was given the opportunity to buy five years into her pension plan, so she took advantage of that and left that job. Besides doing our books, she now does our marketing and began sending out monthly e-newsletters using Constant Contact with information we feel they would find useful. It's our way of giving them something other than an invoice. We're marketing harder now and started getting some calls because of it.

WEB EXTRA
For more of Mark Carrico's best practices, visit **www.landscapemanagement.net/carrico.**

Tell us how you've fared since the beginning of the recession. We lost one of our biggest clients last year (2009) and several others. We were underbid. This year we'll be back to where we were before the recession depending on some work coming in at the end of the season. So far this fall the work has been steady but we're not rushed.

"I SHOULD HAVE BEEN MORE AGGRESSIVE IN **GOING OUT AND GETTING THE WORK** BECAUSE I FOUND OUT I COULD DO IT" — MARK CARRICO

COMMON CHICKWEED

Stellaria media

IDENTIFICATION TIPS

› This low-spreading, prostrate winter annual succulent features oppositely arranged, small elliptic-shaped leaves, pointed at the tip and stems with rows of hairs. It grows in dense patches, and thrives in moist, shaded areas.

› It's similar in growth habit and appearance to mouse-ear chickweed (*Cerastium vulgatum*). Common chickweed leaves are less hairy and light green in color; mouse-ear chickweed has dark green or gray-green leaves covered with soft hairs.

CONTROL TIPS

› Apply a pre-emergent herbicide containing dithiopyr or isoxaben prior to germination in fall/winter.

› For post-emergent control, apply a two-, three- or four-way product that contains an ingredient such as triclopyr, fluroxypyr or clopyralid.

› For optimum post-emergent control, apply to actively growing, immature weeds in the fall/winter. If a spring application is made, you may need more than one application.

PARSLEY PIERT

Alchemilla microcarpa

IDENTIFICATION TIPS

› This low-growing winter annual spreads by seed.

› Fan-shaped leaves alternate on the stems.

› The leaves contain three lobes, and each lobe is subdivided again into three to four lobes.

› The flowers are inconspicuous in the leaf axis.

CONTROL TIPS

› Apply a pre-emergent herbicide containing dithiopyr or simazine prior to germination in fall/winter.

› This weed can be a major problem on nutrient-deficient lawns or lawns that are mown too closely. Manage with a good fertility program and keep mow height optimum for respective turfgrass.

** Confront is not for sale or use in Nassau and Suffolk counties, New York. Other state restrictions on the sale and use of Confront apply.*

*** State restrictions on the sale and use of Dimension apply.*

For more information regarding these and other turf weeds — and related control technologies and tips — please visit www.DowProvesIt.com or call 800/255-3726.

PHOTOS COURTESY: DR. RONALD CALHOUN (LEFT); NORTH CAROLINA STATE UNIVERSITY TURFFILES

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TOP PLANT TRENDS FOR 2011

Contrasting colors provide high impact, allowing homeowners to do more with less.

Focus on smaller spaces and bigger value to create opportunities.

WHILE RETAILERS experienced better-than-expected sales over the important 2010 holiday shopping season, economists are predicting a mixed bag for 2011 with some sectors recovering sooner than others. But the economic turmoil over the past three years has already taken its toll on homeowners, many of whom have downsized to smaller homes and apartments. Consumers, still unsure of their economic futures, are also likely to be even more focused on getting the most bang for their landscaping buck.

That's not all bad news for landscapers who install high-value livescapes and are prepared to offer solutions for smaller spaces. Bright colors in containers and growing vertically make the most of small landscapes, while edibles and water-saving cultivars can save consumers' money.

But how do you explain that to consumers?

"The question on many marketers' minds is, how do we as an industry market horticulture products in this unique economic climate?" says Anthony Tesselaar, co-founder and president of the Australia-based Tesselaar Plants. "So, how do we make sure we stay in their crosshairs? We've learned it's not necessarily about price. These days, it's all about value — and values — to me, the purchaser."

Promoting value

Tesselaar suggests taking a page out of retailers' sales strategies.

"Of course retailers know they need to focus on sales and promotions to bring in shoppers. And of course price is a factor for just about everyone," says National Retail Federation vice president Ellen Davis in the group's recent 2010 holiday shopping survey report. "But unlike 2009 — and most definitely 2008 — price is not the only factor shoppers will consider when making buying decisions."

Instead, the report suggests a need to demonstrate how a product or service offers long-term benefits, prevents problems or hits on something so emotionally important to the consumer that the extra cost is "worth it."

For instance, is the drought-tolerant plant that costs 20% more than its similar counterpart worth the purchase because the consumer can go on vacation and not have to find a plant-sitter? Can the price for a season-long-blooming shrub be amortized over several years because it boosts the resale value of the home? Does the more expensive hanging basket also work in the shade or save space in a downsized or urban dwelling?

Even though the economy is improving slightly, the recession has changed the mainstream mindset, moving shoppers toward a "save-save-save" mentality.

Maximize multiple uses

Can a garden perennial be overwintered as a houseplant, helping to beautify the in-

PHOTO COURTESY: TESSELAAR PLANTS

POPULAR COLOR PREDICTIONS

Pantone LLC, a provider of professional color standards for the design industries, has announced PANTONE 18-2120 Honeysuckle, a vibrant, energetic hue, as its color of the year for 2011.

While the 2010 color of the year, PANTONE 15-5519 Turquoise, served as an escape for many, Honeysuckle emboldens us to face everyday troubles with verve and vigor, according to the company. A dynamic reddish pink, Honeysuckle is encouraging and uplifting.

"In times of stress, we need something to lift our spirits. Honeysuckle is a captivating, stimulating color that gets the adrenaline going — perfect to ward off the blues," says Leatrice Eiseman, executive director of the Pantone Color Institute. "Honeysuckle derives its positive qualities from a powerful bond to its mother color red, the most physical, viscerally alive hue in the spectrum."

For over a decade, Pantone's Color of the Year declarations have influenced product development and purchasing decisions in multiple industries including fashion, home and industrial design. For more information, visit pantone.com.

AkzoNobel, the world's largest paintings and coatings company and manufacturer of Dulux paints, has announced light, airy, citrus yellow as its Color of the Year for 2011 along with next year's top five color trends at its annual ColourFutures showcase.

ColourFutures is the result of international color trend research, developed by AkzoNobel's Aesthetic Center with an international group of creative experts from the fields of color, design, architecture, and fashion. For more information, visit: icidulux.com.my/EN/colour/.

Spreading flowers that fill large areas will continue to be popular as homeowner budgets are expected to stay tight in 2011.

Container plants offer high value because they can be moved where needed. Some can be also be moved indoors and enjoyed during the winter.

doors, boost moods and improve indoor air quality? Can it provide healthy food for the family and save on the grocery bills? Can it become a gift for someone else?

Container plants that can easily be carried in from the patio to serve as wintertime houseplants are big sells, especially in colder climates, Tesselaar says.

And why can't quick-growing edibles like swiss chard, ornamental kale and lettuces be packaged up as ornamental containers?

Save with green

Drought-tolerant, pest- and disease-resistant plants can cut spending on inputs, plus they require less time to maintain. Such plants can also be promoted as socially and/or environmentally responsible products — something 67% of respondents said they'd buy, even in a difficult economy, in a 2009 survey by brand-marketing firm BBMG.

Tesselaar says he has noticed landscapers are moving toward buying smaller containers of such plants at a lower price, because they know these plants will soon fill out and reach the mature size of the more expensive ones. They're also buying less of a variety of plants, but more of what they choose (i.e. only the tested, top performers they can count on and that won't need replacement anytime soon), he says.

Smartphones prompt thinking locally

"With smartphones becoming the dominant mobile force, Quick Response (QR) codes and application technology will pique interest, provide portals into unique experiences and improve our quality of life," says James Limbach, author of "Economic Hard Times Bring Lasting Changes to Consumer Behavior." He notes that sales of smartphones grew 82% from 2008 to 2010.

This ability to filter information by geography has inspired a "local-local" mentality. "Empowered like never before," says Limbach, "consumers are showing a deeper interest in where they are: from the city to a specific store."

Ride the wave of this trend by offering location-based services, promotions and solutions. Perhaps you can highlight native plants that work well in your area, trumpet your experience with your area's specific landscapes and architecture, and promote your company's involvement in the local community. LM

PHOTOS COURTESY: TESSELAAR PLANTS

Fizzy fun

New 'Fizzy Fruit Salad' ruffled pansy mix from **PanAmerican Seed** is a Cool Season Thrivers selection. The mix includes new grape and lemonberry colors, plus passionfruit and raspberry. The pansies are hardy to -10°F and grow 6 to 8 in. tall by 8 to 10 in. wide, in sun or shade. **PanAmSeed.com**

Aquatic beauty

Nymphaea 'Bimini Twist,' available from **Florida Aquatic Nurseries**, was recently honored by the International Waterlily and Water Garden Societies as the Best New Tropical Waterlily for 2010 and the Second Best Overall Waterlily from more than 30 entries in the contest. This tropical waterlily hybrid features a purple flower and lime green/deep merlot mottled pads. The lily will be available in limited numbers for 2012. **FloridaAquatic.com**

White delight

David Austin Roses' *Rosa* 'Susan Williams-Ellis' (Ausquirk) features about 135 petals, and flowers two to three weeks before most roses do. It then continues to bloom nearly non-stop until the harder frosts, according to its breeder. The fragrance is strong and "old rose" in character. It is best suited to USDA zones 4 to 8, and grows to approximately 4x3 ft. **DavidAustinRoses.com**

Super hero

Monrovia's new 'Green Hornet' Barberry (*Berberis thunbergii 'Grhozam'*) is compact and low-growing, featuring emerald green foliage with teal blue undersides. Its orange-gold fall color works well when defining a walkway or as a mass planting in a larger area of the garden. The dwarf shrub thrives in full sun in Zones 4 to 8. It grows to about 1.5 ft. tall and 3 ft. wide, and is suitable for firescaping. **Monrovia.com**

Candy color

The Bonfire begonia series now includes the Choc Pink (pictured) and Choc Red varieties, featuring dark "chocolate," serrated foliage. Developed by New Zealand Plant and Food Research and managed by **Tesselaar Plants**, Choc Pink and Choc Red are now sold through the **Ball Horticultural Co.** network as part of the Selecta First Class series. Both offer a full, upright to mounding habit, plus red-orange or blush pink blooms that cover up to half of the plant — from late spring to late fall. The low-maintenance, heat- and drought-tolerant plants can be grown in full sun or partial shade. **Tesselaar.com, Ballhort.com**

KEVIN KEHOE | The author, owner-manager of 3PG Consulting, is a 25-year industry veteran. Reach him at kkehoe@questex.com.

Give new customers a pricing incentive

There are some signs that prices are stabilizing, but until the real estate cycle turns up, commercial inventories are worked through and vacancies are filled, pricing is not going to return to 2007 levels anytime soon. Given this, it pays to use incremental pricing to compete effectively for new business.

1 START. Using your 2010 P&L statement, determine your monthly contract billings, which for our example is $140,000. Calculate the contract portfolio earn rate (divide total revenues by total labor hours to do the work: $25.75). Then, calculate the enhancement percentage (enhancement revenues divided by contract revenues: 19%), and determine the enhancement gross margin percentage (45% in our example).

2 STRATEGY. In our example, we assume an 85% renewal rate — and this adjusts monthly contract billings to project renewal revenue and gross profit. Because we are still earning $25.75 per hour, with an average wage rate of $12.50 for the hours worked, we will earn 51.5% on this book of business.

Next, we model incremental new contract revenue of $500,000. These we anticipate will sell at an average discount of 10% less than the $25.75 to which we are accustomed. As a result, we will earn less on this new work: only $23.18 per hour. In reality, of course, it is likely we will sell some jobs for higher than this rate and some lower to achieve this average. As a result, we plan to accept a lower gross margin of 46.1%.

WEB EXTRA For a chart showing more on pricing new work competitively, visit **www.landscapemanagement.net/kehoechart1**.

We are not happy about this, but we risk selling far less at higher rates. That would create an even greater problem: not covering overhead.

Finally, we estimate enhancement revenue. In this example, we are conservative in projecting the same 19% of contract revenue at a 45% gross margin. In addition, we make an assumption of an allowable overhead growth of 10%. This will be required to fund the additional equipment costs that come with adding new contracts.

3 RESULT. The effects of the strategy: 85% renewal, new revenue of $500,000 at 10% less price and enhancements holding steady at 2010 levels, gives us a P&L projection of $140,366 and 6.1% in net profit. Therefore, despite the gross margin declining from 50% to 49.2%, we make more money.

The key to lower incremental pricing is — and must be, in my experience — to grow your overhead at less than 50% of your sales growth. In this case, we accomplish that mission — as well as making it more likely that we will be competitive in pricing new work.

The key to lower incremental pricing is … to grow your overhead at **less than 50% of your sales growth.**

ILLUSTRATION BY: ISTOCK INTERNATIONAL INC.

LAWN CARE:
SPRAYERS & SPREADERS

Earthway Products
The new S15 Spray-Pro ground driven push sprayer is designed for spraying all types of liquids, including ice control products, pesticides, herbicides and fertilizers. The S15 is a fully assembled, smaller version of the S25 Spray-Pro Mark III and includes an adjustable spray system that makes applications on sidewalks and parking lots easy to manage. Use it on lawns, driveways, paths and any area boom sprayers will not go. *Earthway.com*

Grasshopper
Shielded sprayers apply a constant, accurate balance of small droplets that "stick" to vegetation, achieving greater coverage with less chemical use. The unit can cover up to 5.5 acres (240,000 sq. ft.) with one tank. Independent floating chambers follow the ground contours for precise application, and zero-turning-radius maneuverability is maintained, even in tight spaces. The sprayer implement also provides operators quick and easy mounting, removal and storage. Available in 53- (pictured) or 133-in. widths and 30-gal. capacities, shielded sprayers are compatible with Grasshopper's full line of FrontMount and MidMount power units. *Grasshoppermower.com*

TurfEx
Intended for use with tractors and utility vehicles, the new 7-cu.-ft.-capacity TS700GR and 12-cu.-ft.-capacity TS1200GR ground-drive spreaders are designed to exert less impact on surfaces than similar tow-behind models. Constructed of heavy-duty polyethylene to reduce corrosion and maintenance concerns, the units are up to 40% lighter than other models. The design helps lessen fuel consumption for the towing vehicle. The spreaders feature large flotation tires to further minimize impact on delicate surfaces. Spread width is infinitely variable up to 30 ft. *Trynexfactory.com*

Curtis Industries
The new, 500-lb.-capacity Sno-Pro Fast-Cast 550E electric V-box spreader is lightweight, featuring a stainless steel carriage and a rustproof aluminum hopper. It features a 12V, 1/3-hp electric motor that draws less than 20 amps, replacing a gas engine — eliminating fuel costs and serving as a "green" alternative. It also eliminates the need for a noisy vibrator motor, allowing operators to work without disturbing customers or neighbors. The spreading range is from one to 24 ft. It also offers adjustable material deflectors and an in-cab control panel. Options include a weather cover and a top screen. *Curtisindustries.net*

MAINTENANCE:
ENGINES

Subaru

Featuring a vertical shaft configuration, the new EA190V engine is the first to offer chain-driven overhead cam (OHC) technology to the small, air-cooled, vertical shaft engine market. The 189cc displacement engine is designed to be lightweight, yet durable and rugged enough for a variety of lawn and garden equipment — including pressure washers, walk-behind string trimmers, aerators and lawn vacuums. The EA190V offers both easy starts in cold weather and superior cooling, making it ideal for multi-seasonal equipment. *Subarupower.com*

Honda

Featuring six models, the V-Twin engine line offers power, versatility and fuel economy in a compact package. The new GX630, GX660, GX690, GXV630, GXV660 and GXV690 engines are available in both horizontal and vertical shaft configurations. They have been designed to offer low noise, vibration and exhaust emissions without the use of a catalyst. Features include the hemispherical combustion chamber design, higher compression ratio, increased displacement and steel connecting rods. An integrated cylinder and head eliminates the need for a head gasket, which results in increased cooling and higher levels of reliability. *Honda.com*

Kohler

The Courage XT-7 vertical-shaft, 4.5-net-hp utility engine powers various equipment. The engine comes standard with an overhead valve design, a cast iron cylinder bore and flywheel ball bearing. A wide variety of options allow the engine to be customized to fit the application, straight or tapered PTO shafts, SAE pump mounting, engine-mounted controls, front or side-discharge muffler, fixed or 6-position indexable recoil, bottom or side oil drain, paper or foam-only air cleaner, debris screen, and recoil or electric start. The engine is certified for current EPA and CARB emissions standards and meets or exceeds Society of Automotive Engineers Small Engine Test Code J1940 horsepower requirements. *Kohler.com*

Stens

The GB brand line of bars and sprockets feature the Pro Top and Titanium Pro Top bars, as well as a new line of Arbor Tech and Arbor Pro bars, which come with a solid steel bar and replaceable tips that guarantee high quality and extended bar life. Additionally, GB sprockets are available in Center Drive, Rim and Pro Spur varieties. *Stens.com*

VP Racing Fuels

SEF 94 Small Engine Fuel is designed to combat ethanol-related problems in chain saws, blowers, lawnmowers and other portable gasoline-powered equipment. SEF94 is available in quart-size containers to meet virtually any manufacturer specifications: an unleaded gasoline for 4-cycle engines and two versions pre-mixed with oil (40:1 and 50:1) for 2-cycle devices. Each blend is "ready-to-use," with the 2-cycle Pre-Mix versions. SEF94 is also available in 5-gal. pails, and 30- and 54-gal. drums. The 4-cycle version can be used in 2-cycle engines when mixed with oil to manufacturer's specifications. *SEFfuels.com*

Shindaiwa

New Red Armor engine oil is designed for use in all air-cooled two and two/four-stroke engines. It begins removing performance-robbing carbon deposits with the first use. The special formula removes the building blocks for varnish, and prevents varnish from sticking to the hot engine surfaces — where it can transform into hard carbon deposits. Available in 2.6-, 6.4- and 13-fl.-oz. sizes, as well as 1-gal. size. It is JASO FD and ISO L-EGD rated, the highest two-stroke oil rating available. *Redarmoroil.com*

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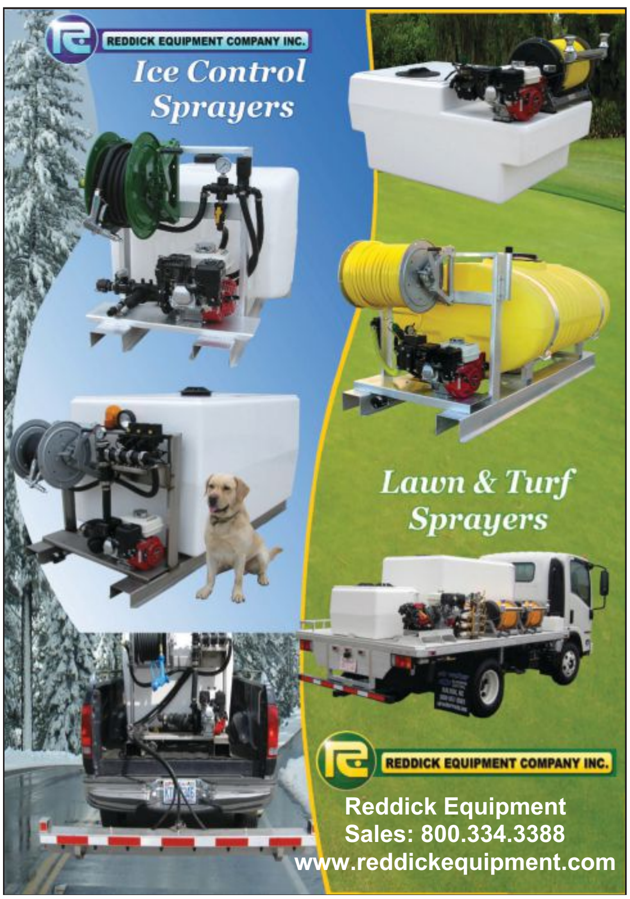

 BY CASEY PAYTON

Sliding payments from clients plus sliding payments to vendors equals a cash flow crisis for Florida's Dickerson Landscaping.

COMPANY: Dickerson Landscaping

PRESIDENT: William Dickerson

HEADQUARTERS: Tallahassee, FL

FOUNDED: 1987

EMPLOYEES: 14-25

SERVICE MIX: 45% hardscape, 18% maintenance,15% landscaping, 12% sod, 5% water features, 5% design

CLIENT MIX: Hardscaping: 80% residential/20% commercial; maintenance: 60% residential/40% commercial

2010 REVENUE: $750,000

2011 REVENUE (EST.): $875,000

WEB: www.dickersonlandscaping.com

BEST ADVICE: Discuss terms with clients up front; don't let payments slide; communicate with vendors. "The squeaky wheel gets the grease."

EARLY ON DURING his company startup in the late 1980s, William Dickerson scored a large stadium project. The work was highly recognizable and profitable — a boost in business for Tallahassee, FL-based Dickerson Landscaping.

The problem? Dickerson was told he'd be paid when the general contractor on the project got his work done. But Dickerson's work, which included some wetland, tree and sod plantings and groundcover and shrub installation around the stadium, didn't take nearly as long as the overseeing contractor's work. "We had already bought plant material, paid for labor and had everything lined up. This created some issues when we had to tell our vendors we didn't have the cash flow available to pay them."

A vicious circle ensued.

The lessons Dickerson learned were three-fold.

First, his big mistake was letting clients slide on making payments or not being prepared for a drawn-out payment schedule.

The resolution to this challenge was keeping lines of communication open with customers. For example, Dickerson was working with a large residential builder and started to notice his payments were coming in further and further apart. "It was a red flag since the builder was previously paying on time," he says. "At first, I just assumed it was a reliable company and they were good for the money, but as payments got more and more stretched out, I had to address it."

In this case, Dickerson had to pull the plug, and he did it just in time, without getting burned and losing what was owed to him. Talking about payment terms with the client up front and having something in writing to solidify the agreement is crucial to managing cash flow. "The idea is to get that information in writing," says Dickerson, adding that many larger commercial customers pay every 15 or 30 days, so a problem can be quickly recognized as payments linger beyond 60 and 90 days. "Then if the rules of the game start to change, you can address it. Ask why you aren't being paid on time and bring out the agreement."

Dickerson says discussing the "rules of the game" early on takes the awkwardness and emotion out of what could be difficult conversations about money owed in the long run since the terms of the contract were already openly discussed and agreed upon from the get-go.

Second, Dickerson learned to "be up-front with vendors about the situation you're in. Let them know what rules the controlling contractor on a project has put in place so they're aware if you won't be paying them right away. Don't tell them at the last minute the money isn't available."

In fact, this can actually be to your benefit, Dickerson adds. "Some vendors will be more willing to work with you and maybe even wave the finance fee if you're upfront about the payment schedule," he explains.

This same upfront approach can be used with banks, especially in a time when it can be hard to secure a loan. "Take your signed contract for that job to the bank and tell them you need a line of credit to work within the perimeters of that specific project," Dickerson suggests. "It's an easy way to prove you'll be getting the money, but you just need some cash flow to get started."

While Dickerson learned many lessons here, there was one important point realized above all else: "Money has no friends."

"Money is an item that is purely economic," he says. "It goes from point A to point B and doesn't choose friends. In the end, it's often the squeaky wheel that gets the grease."

Bottom line? You need to be the first one calling when you're not getting paid, says Dickerson. "Solicit advice from your CPA and industry peers and pay close attention to balance sheets," he advises. "And if red flags continue to come up, it might be time to get out."

Payton is a freelance writer with six years of experience covering landscaping.

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