



BEST PRACTICES

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Outsourcing to manage costs

Outsourcing or subcontracting might be a good business decision in the day-to-day running of a landscape business under normal circumstances. I keep hearing the “new normal” term being thrown around. So what should one think? What is “normal,” and what works? Today, you have to examine and question everything you do.

Many of today’s property managers prefer dealing with fewer suppliers when hiring service providers. As a basic landscape maintenance company, you might find yourself at a disadvantage to your

multi-service competitor unless you can also be that one-stop-shopping answer.

On the other hand, the process of starting new service lines, such as arborist services or irrigation services, can be a major distraction — as well as a drain on profits. With your customers on tight budgets, you might find you can no longer keep a crew busy, but need to carry the people so they don’t go elsewhere, offsetting any profit you might have made on them.

Most customers probably do not care whether you self-perform these additional services; they just would like you to make them happen. With some trades, you might be able to make as much marking up a subcontractor as you would self-performing, and do it with less risk.

The key factor in making this work is finding the right subcontractor. Good characteristics to look for include:

- ▶ They are responsive.
- ▶ They provide the level of quality you require.
- ▶ They are price competitive, even with your mark-up.
- ▶ They can refer you to their customers.

Other opportunities

What about outsourcing? We are in a business that relies on our customers outsourcing their maintenance rather than doing it themselves, yet we fail to look for the same opportunities to make our own operations more streamlined.

In our consulting business, we call any unnecessary overhead a company carries and tries to pass on to its customers a “dumb tax.” We see many companies self-performing tasks in their business that are a huge distraction to them, and could be outsourced for less money (see box).

A good business does not lock itself into one way of doing business. Take advantage of all the options available so you can compete and serve your customers better.

OUTSOURCING OPPORTUNITIES

Payroll: Payroll can be outsourced to a payroll company or an employee leasing company. For small companies in this industry, employee leasing is one of the most cost-efficient ways to handle payroll. It can often save a considerable amount on worker’s compensation insurance, and it also allows you to offer benefits you wouldn’t be able to afford otherwise.

Fleet maintenance: Mechanical shops can be a huge black hole. Shops are hard to control, especially if you are not really a hands-on manager. There are many mobile services available today that service your vehicles — do brake work, tire maintenance, etc. Having your own mechanic is a major commitment. Few companies in this industry have efficient shops. Outsourcing is the right solution when you are in the various growth stages where you are too small for a full-time mechanic, or have too much work for one mechanic but not enough for two.

Spray techs: Many companies struggle to keep good spray techs. The struggle is even greater when you have to carry them in the winter so as not to lose them. Hiring a good lawn care subcontractor may be the most cost-effective way to do this work.