

"IF THERE'S ONE THING THAT HAS MADE A DIFFERENCE FOR MANY COMPANIES THIS YEAR, IT HAS BEEN **ACTING ON REVENUE AND COST INFORMATION FASTER TO CLOSE SALES AND REDUCE WASTE!**"

Be prepared

To meet 2010 head-on, you must first build a budget and pricing strategy that provides the flexibility to price-pick key jobs for as much as 10% to 15% lower than your current rates. (See prior articles or www.kehoe.biz on how to do this.) This *is* doable. This year, contractors discovered customers respond and they can engineer jobs to minimize gross profit loss.

You also must be prepared to invest in employee productivity improvement. A key lesson learned this year is that employees can be more productive, measured in terms of revenue per employee, and demonstrate they can handle 10% to 20% more workload. While training is helpful, accountability produces real results.

The key to productivity improvement is accountability; the key to accountability is performance information. The keys to performance information are simplicity and availability, reporting that shows results by position every day. If there's one thing that has made a difference for many companies this year, it has been acting on revenue and cost information faster to close sales and reduce waste.

Contractors should go into 2010 with eyes wide open — and with pricing and accountability systems to manage tightly to budgets. But there's good news, too: We've probably weathered the worst, and most have survived, albeit at lower profit margins. Now we must apply the lessons learned in 2009 and employ these strategies to be successful in 2010. **LM**

The author is owner-manager of Kehoe & Co. Contact him at kkehoe@earthlink.net.



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TAKE AWAY

The economy is forcing businesses to take a closer look at how they attract and retain customers.

Ask customers for feedback on service, and adjust accordingly.

Define your competitive advantages clearly.

When the going gets tough . . .

. . . the tough look for ways to stay competitive.

BY HARVEY F. GOLDGLANTZ

IT'S BEEN about a year since the economy began its free fall. Banks, brokerage houses, insurance companies, financial behemoths (such as Fannie Mae and Freddie Mac) and automakers all have tanked or been rescued from the brink, at least for the moment.

It's far from over.

Some point to financial indicators and say it's the beginning of the end of the recession. Others insist it's just the end of the beginning of the recession. And there are more than a few who believe we're on the precipice.

Unemployment is expected to top 10% by year's end. People are afraid. The middle class has collided head-on with Wall Street, and the fallout on Main Street hasn't been pretty. Feelings of distrust abound — of government, of financial institutions and, particularly, of big business.

What does this mean for you and *your* business? Well, that depends on how prepared you are to deal with the fallout from this mess.

First, some facts:

- › It's more difficult to attract new customers during recessions.
- › There's greater competition for less discretionary income.
- › Customers are less tolerant of service failures and communication gaffes.
- › Customer cancellations increase during economic downturns.

Protect your customer base

Because new customers and revenue are more challenging and expensive to come by during economic downturns, it makes sense to protect as much of your existing customer base as possible. Here are tips to help you do that:

- › Call customers after each service call and thank them for their business.
- › Mail a thank-you card after the initial visit.
- › Survey customer satisfaction levels annually.
- › Incorporate an “extraordinary service” delivery system as part of your operating strategy.
- › Add scheduled customer service training sessions for staff and laborers.
- › Reward individuals for performing superior service.
- › Insist supervisors perform ride-along quality control audits regularly.

Compete for new customers

Attracting new customers in the current highly competitive environment requires differentiating your company from your competition in a superior way. However, it's been my experience

ADDITIONAL READING

If you'd like to learn more about what you can do in this challenging economy to take control of your businesses future, *Landscape Management* proudly presents Harvey Goldglantz's new book, *Marketing Matters: The Ultimate Reference Guide to Making the Most of Your Marketing Money*. Visit <http://shop.landscapemanagement.net> for details.

“ ... IT MAKES SENSE TO PROTECT AS MUCH OF YOUR EXISTING CUSTOMER BASE AS POSSIBLE.

... PICK ANY EMPLOYEE AND ASK HIM WHY A CUSTOMER SHOULD CHOOSE YOUR COMPANY OVER A COMPETITOR.”

that few companies are adept at this. Don't believe me? Try this simple test:

Pick any employee and ask him why a customer should choose your company over a competitor. Chances are you'll get one of the following answers:

- › We deliver better service.
- › We're more knowledgeable.
- › We're more experienced.
- › We've been in business longer.

These are great answers, but they're the same answers your competitor's employees will give. They're hardly differentiation points.

When differentiation points fail to deliver perceived value, price becomes the central focus. Service differentiation becomes even more critical during depressed economies when the disbursement of discretionary income becomes a focal point. **LM**

The author is president of Pest Control Marketing Co., Inc. an Elkins Park, PA-based marketing and management consulting firm for the lawn care and pest management industries. Contact him at 215/782-1150 or hgpcmcinc@aol.com.

LET HISTORY BE A GUIDE

Even during the Great Depression, there were entrepreneurs who were able to make money. Confidence can be instilled and control of your business will be obtained through the lessons learned about strategic planning and targeted budgeting.

Consider these facts:

- › There will always be a need for lawn and landscape management.
- › When the economy sours, the value delivery system becomes more scrutinized.
- › During depressed economies, customers focus on and prioritize discretionary spending.
- › Companies that excel at delivering a higher level of perceived value will command a larger share of their business segment pie.
- › It's more important to be able to differentiate yourself from your competitors when competing for fewer discretionary dollars in a troubled economy. — *HFG*.

How to conduct a successful walk-through

Be prepared by doing your homework before and after the visit.

BY BRUCE WILSON

TAKE AWAY

Determine what you want to gain from a walk-through.

Review your records and see whether there are new or existing issues to resolve.

Follow up on any action items that result from the walk-through.

MANAGERS AND account supervisors shouldn't take job walk-throughs lightly. If you're unprepared or become surprised during a walk-through, you begin to lose a client's trust — and eventually the job.

So, here are some best practices to consider:

› **Determine objectives.** What do you want to gain from the walk-through? Is it a follow-up to a prior walk-through in which you'll need to demonstrate you've followed through on commitments? Are there enhancement opportunities? Is the main objective to confirm the client's satisfaction? Are there specific site issues that need to be addressed? Can you improve your position for renewal?

› **Review client status.** What do you know about the client? Are there unresolved problems? Are there any changes in the client status, such as new owners, a new contact person, new boss, etc.? Is there going to be a visit by ownership or investors? Are there other client events on the horizon? Does the client owe you money? Do you need to bring any documentation?

› **Review job site status.** Visit the site before your walk-through, and make sure everything is as it should be. This way, if problems exist, you're prepared already. Talk with the crew leader to find out whether there are any additional issues to discuss. Make sure your open punch lists are complete. Know the contract specifications — what's included and what's extra.

› **Develop a strategy.** Who should attend a walk-through? How will you deal with any known issues? While you shouldn't accept any excuses, don't be defensive. Be prepared with answers and action plans if needed. Try to be in a position of strength. Have enhancement proposals ready if appropriate.

For the walk-through, be on time, dress appropriately, and point out the positives and areas that have improved. Don't wait for the client to find fault. Listen carefully to what the client is and isn't saying. Try not to make commitments until the walk-through is complete. Clarify if items are contracted or extra work on the spot.

After the walk-through, notify your employees about the commitments, and create a follow-up timeline for the action items.

Formalize your walk-through notes; keep one on file and send copies to your client and your employees. Prepare proposals for extra work, and follow up on line-item status in seven days.

Preparation is crucial to having a successful walk-through. Be positive and in control. Don't use excuses or be defensive. Take your lead from your client regarding commitments and timing. Follow up in writing, and check on progress in seven days. **LM**

5 KEYS TO EFFECTIVE WALK-THROUGHS

1. Determine objectives.
2. Review client status.
3. Review job site status.
4. Develop a strategy.
5. Make sure there are no surprises.

— BW

The author is a partner with the Wilson-Oyler Group consultancy. Visit www.wilson-oyler.com.

Lease or buy?

Short-term and long-term investments each have their benefits and drawbacks. **BY CURT HARLER**

EVEN AS the economy starts to get back on an even keel, there are few landscape contractors with money to throw around. However, they still need to replace and update equipment. During a time when every nickel counts — and cash flow is king — contractors might wonder whether it's better to buy or lease new equipment.

"It's never black and white," says Tom Dowd, manager of lease administration for John Deere Credit in Des Moines, IA. "There

are no rules of thumb that can be used to determine whether a lease is applicable."

But there are several things to consider when making the lease versus purchase decision. Before you push the buttons on your calculator, determine whether the equipment you're thinking of leasing carries a high purchase option. The higher a purchase option, the more advantages a lease offers, Dowd says.

To make the decision more complicated, the definition of what a high-purchase option is varies, depending on the evaluated equipment. Determine whether the equipment will be used for short-term, incremental projects or to meet long-term basic needs.

TAKE AWAY

The best scenario is to finance equipment until you have the cash to pay it off.

Determine how much use you would have for the equipment over the long term.

Talk beforehand with your financial advisors about the potential tax savings (and pitfalls) regarding your equipment leases and purchases.



Making monthly payments on seasonal equipment is helpful, says George Kinkead, president of Minneapolis-based Turfco.

“Instead of having big spikes, leasing can level the cash flow,” Kinkead says. “The right answer on lease versus buy is to finance equipment until the point at which you have the cash to pay it off.”

Each situation must be analyzed as a separate event.

“Leasing seems to make most sense when a landscaper is awarded a short-term contract and needs additional equipment to complete the job, but isn’t certain there’s a need for the equipment beyond the term of the contract,” Dowd says. “Purchasing seems to make most sense when the customer plans to use the equipment for a long time.”

ARE THINGS DIFFERENT IN TODAY’S ECONOMY?

Old-timers often claim that today’s economy is different than anything they’ve ever seen. But that doesn’t mean the lease-versus-buy rules change. The advantages of leasing don’t change as the economic situation changes, says Tom Dowd, manager of lease administration for John Deere Credit in Des Moines, IA. However, the magnitude of the benefits from the advantages does change.

For example, the time when leasing seems to be most active is right before an economic downturn.

“This is because the leasing advantage of matching incremental equipment needs with current jobs has a much bigger benefit if the economy is slowing,” Dowd says.

Because the likelihood of having a need for the equipment is less if the economy has slowed, a contractor can count on being able to return the equipment at the end of the lease term, and won’t have to try to remarket a used piece of equipment in a down equipment market.

In a healthy economy, leasing offers another benefit: cash flow, which conserves the bank’s line of credit for other uses. The advantage of leasing is the same, Dowd says. However, the economic situation changes the benefit.

One successful strategy is to use the lease terms to spread the payments over a couple years, then buy the equipment and continue to use it.

Kinkead cautions against thinking about landscape equipment leasing on the same terms as a car lease, however.

“Capital, durable equipment, like renovation equipment, typically will last more than two or three years,” he says. “It’s a cash-flow question. Especially for a smaller operator, it’s probably better not to write a check for the full cost of equipment. It’s better to buy as the business grows and pay for equipment out of cash flow.”

For low-hour users who take care of their machinery, it pays to keep the equipment after the lease ends.

“Any time you lease equipment, you need to know what you’ll do with it at the end of the lease,” Kinkead says.

Additionally, you (and your accountants) should know how you’ll generate the revenue to buy a piece of equipment, and how much you’re willing to pay in interest for the privilege of keeping the machine.

On the plus side, leasing allows a business to upgrade its equipment frequently. If nothing else, having new, modern, shiny equipment helps create a prestigious image. And on the more practical side, new equipment eliminates down time and lowers maintenance costs.

Benefits of leasing

A lease generally requires less cash up front and has lower payments than traditional financing. The cash flow advantage is created because of the establishment of a purchase option at the end of the lease, Dowd says.

Initially, a contractor isn’t paying for the purchase option. At the end of the lease, the customer makes a decision to purchase or return the equipment. Higher purchase options create a better cash flow advantage for a lease, Dowd says.

A contractor will often have what Dowd calls “incremental equipment needs” when he or she is awarded a short-term contract.

“A lease offers a landscaper a way to acquire additional equipment to perform the contracted work, and match the term and cost of the additional equipment with income generated from the new contract,” he says.

Kinkead agrees leasing allows a contractor to bid on jobs or offer new services. Then, once the contractor has a feel for who will buy the services, he or she can lease equipment to match the need.

“I recommend having a sense of where you’re going with your business so you don’t get into equipment if you don’t have the jobs to cover the cost,” Kinkead says.

It’s recommended to sell the jobs first, and then lease equipment in sufficient size and quantity to cover the contracts you have in hand.

Leasing makes sense for seasonal equipment, too. Aeration, for example, is a job typically done in the spring and fall. While you may need an aerator for both seasons, it’s likely that you won’t generate sufficient revenue to pay for it until late in the year. Lease payments spread out the cost.

Income tax benefits

Another strategy involves off-balance sheet financing, which are leases structured as true leases that don’t pass title to a contractor.

Work with your accountant to keep current with tax rules on financing.

“The landscaper currently doesn’t need



Section 179
 Your company can lease equipment and still take full advantage of the Section 179 deduction. In fact, leasing equipment with the Section 179 deduction is a sound financial strategy for many businesses, as it can significantly reduce your cash flow, but with profits as well.

Full Lease
 A full lease of a non-tax capital lease is that you can still take full advantage of the Section 179 Deduction, yet make smaller payments. With a non-tax capital lease, you can write off \$250,000 worth of equipment this year, without having to pay \$250,000 this year. A small business that is managing cash flow can lease and still take the Section 179 Deduction.

Leasing
 Non-tax capital leases include a \$1.00 Buyout, and a 10% Purchase Option (PUT) Lease. In many cases, the amount you save in taxes will be the total of your first year’s payments.

Financing
 To obtain an equipment loan using an Equipment Finance Agreement, you will take the Section 179 Deduction.

Benefits of Leasing and Financing
 One of the advantages of leasing or financing equipment and then taking advantage of the Section 179 Deduction is the fact that you can deduct the full amount of the equipment cost in the first year. The amount you save in taxes is significant, making this a very bottom-line friendly deduction. In fact, the amount you save in taxes will be the total of your first year’s payments.

“IF A CUSTOMER KNOWS THEY ARE GOING TO PURCHASE THE EQUIPMENT, A LEASE IS NOT LIKELY THE BEST MEANS TO FACILITATE THE PURCHASE”

TOM DOWD, manager, lease administration, John Deere Credit



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to record an asset or liability on his financial statements for a lease,” Dowd says.

Talk to your accountant for up-to-date information about this strategy. The Financial Accounting Standard Board (FASB) is in the process of making changes to the rules about off-balance sheet financing. Presently, a lease can be structured so a contractor doesn't show the asset on the balance sheet. Monthly payments are made like any other expense.

The FASB will likely rewrite the rules by 2011 to change off-balance sheet financing. It's expected that the changes will be retroactive — which means contractors will have to take future lease payments, capitalize the payment stream and show that as a liability. If the lessor expects to buy the equipment at the end of the lease term, that purchase option will have to be capitalized.

There are other tax implications: True leases allow 100% of the lease payment to be deducted for income tax purposes.

“If a landscaper has maximized his Section 179 deductions on his income tax return, a lease structured with a large payment up front may offer a way for the landscaper to get a bigger deduction on his income tax return,” Dowd says.

Again, consult a tax advisor to determine whether a specific lease offers a higher deduction.

Leasing pitfalls

While there are many advantages to leasing, you can incur a higher total cost if you decide to purchase and own the equipment. For example, renovation equipment and sod cutters are more likely candidates for leasing than mowers. You probably know how many hours will be put on a mower, and when your business grows to require another mower, it can be purchased. By contrast, renovation equipment use is sporadic, and adding another truck to the fleet

“DON'T GET INTO EQUIPMENT IF YOU DON'T HAVE THE JOBS TO COVER THE COST”

GEORGE KINKEAD, president, Turfco

probably doesn't require purchasing or leasing another sod cutter. One can be shared.

A contractor who thinks a lease avoids maintenance costs is in for a surprise, however. It's best to treat leased equipment as though you'll own it forever.

If you decide to exercise your purchase option at the end of the lease, the lease typically will result in a higher overall cost to purchase the equipment, Dowd says, adding that leasing isn't a less costly way to purchase equipment.

“If a customer knows he's going to purchase the equipment, a lease isn't likely the best means to facilitate the purchase,” he says.

Additionally, all leases have requirements about the same condition and miles or hours allowed on the equipment when it's returned. This includes everything from pickup trucks to zero-turn mowers.

If the equipment is returned at the end of the lease and doesn't meet these requirements, there are abuse or excess use charges assessed to the customer, Dowd says. If the equipment is going to be used an excessive number of hours or in a harsh environment, a lease isn't likely the best option.

Money-saving strategies

Dowd says he has seen customers who have maximized their Section 179 deductions for leased equipment for one year, then purchased the equipment at the end of the lease, using the section 179 deduction in the next year. This way, a contractor gains use of the equipment in the current year — and maximizes his or her deductions for tax purposes.

Dowd also has seen customers lease equipment when they've been awarded short-term contracts, and then return the equipment at the end of the contract term. **LMM**

The author is a freelance writer who lives in Strongsville, OH. Contact him at curt@curtharler.com.

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It's a wide, wide World Wide Web

Whether it's creating a site to share your company with clients or figuring out the best browser to surf through cyberspace, the Internet is ripe with opportunity. **BY TYLER WHITAKER**

WEB BROWSERS are an integral part of online life. And for most of us, judging from Web statistics, our online adventures usually start by opening Internet Explorer. "Are there other Web browsers?" you may ask. The answer is yes — and your choice of browser may be more important than you expect.

Which browser you use not only affects your Web surfing experience, but plays a small part in the ongoing browser war. In the early days of the Internet, you had the choice between Internet Explorer and Netscape. But now the number of available Web browsers is growing — as are the reasons to get beyond your default browser and explore what the rest of the Web has to offer.

HTML Web standards

When it comes to the Web site programming languages, standards matter. It might surprise you to know that there is an official standards committee that oversees Hypertext Markup Language (HTML) and the functionality every browser should support. The World Wide Web Consortium (W3C) decides the future of HTML and what new features will be added.

As the number of Web browsers has grown, some proprietary Web browsers have implemented non-standard dialects of HTML, leading to problems with Web sites looking and acting differently on various browsers.

TAKE AWAY

A professional-looking Web site is a must-have for marketing these days.

Your site should be easy to edit and update at a moment's notice.

WordPress offers a user-friendly way to design and update your site to your specifications.



These differences cost us, as business owners, every time we make changes to our Web sites. The extra testing and bug fixing by our Web developers for each non-standard browser takes money out of our pockets.

Memory and speed

Performance is another key item to consider when choosing a Web browser. Time adds up fast when you are waiting for Web pages to render on your screen. Recently, Google's Chrome browser and Mozilla's Firefox 3.5 have made huge improvements in both faster speed and lower memory consumption. These enhancements translate into much higher performance — the ability to open more active browser windows, with fewer crashes than most other browsers. These performance gains allow your existing desktop computer hardware to last longer without upgrading.

Automatic upgrades

Time seems to pass quickly on the Internet. Gone are the days when we expected new versions of our favorite software packages on an annual basis. Software updates are now available multiple times a month. This is good news from a security and reliability perspective, but unfortunately, too many businesses get caught in the "Don't Change Anything" trap. It's too easy to think that if it works, we shouldn't fix it.

If you are not staying current on the latest version of your browser, you truly are missing out on the best productivity

improvements, security updates and newest features. Consider upgrading to the most recent version of your favorite browser and leaving the automatic upgrades option on so you will continuously be up-to-date.

Your choice of browser can encourage innovation and forward momentum with Web standards. Ensure your continued productivity and security by staying current on the latest browser versions. Every little bit helps.

From surfer to surfed

While you can't control which browsers clients use to access your Web site, you do need to engage them once they get there.

Let's be honest. Building a good-looking and functional Web site can be challenge. Once it's built, keeping it updated can feel like an ongoing and losing battle. But I have a few suggestions to ease your Web site pain and turn that chore into a pleasure.

Most small-business sites are built one of two ways: You know a family member or teenage neighbor who can put a basic Web site together, or your Internet-hosting provider has a template-based system that can help you build a site by uploading your logo and text. Neither is a bad solution if you just need something to start with, but the result often lacks quality.

Larger companies have the marketing funds and access to talent to build top-notch Web sites with all the bells and whistles. If they're smart, they add administrative capabilities for their staff to add new content easily without the need to understand HTML, JavaScript and other Web technologies. They understand good Web sites are changing and improving constantly.

However, anyone who has hired an external Web design firm understands this route can become costly and limiting quickly. What you want is a solution with the following capabilities:

- 1 The ability to edit your site in a simple and efficient manner** that doesn't require tracking down the nearest IT guy. This includes uploading pictures and video.
- 2 The ability to update the style, colors and layout whenever you like.** Calling your local graphic artist and asking for a Web-site makeover — and then rebuilding the entire site



PUTTING THEORY INTO PRACTICE

On my own desktop, I'm currently running the following:

- › **Google Chrome** is my default browser for everyday Web surfing. Its fast, clean interface — and integration with Google — lets me focus on finding the information I need quickly.
- › For all of my Web development needs, I use **Mozilla Firefox 3.5**. It's a full-featured browser with plenty of optional features available through its use of add-ons and plug-ins.
- › **Internet Explorer 8** is installed, but only for testing purposes. It's much better than older versions, but pales in comparison to Chrome and Firefox. — *TW*