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AT A GLANCE

COMPANY: Arbor-nomics

TITLE: President and CEO

LOCATIONS: Headquartered in Norcross, GA; three Atlanta branches and one Nashville branch

EMPLOYEES: 50

SERVICES: Lawn care, tree and shrub care, grassy weed treatment, flea and tick control, overseeding, aeration, fire ant control, mosquito treatment, vegetation control, perimeter pest control

INDUSTRY INVOLVEMENT: Founding member of the Metro Atlanta Landscape Trade Association, past president of the Georgia Turfgrass Association, frequent speaker at industry conferences

HOBBIES: Walking; hiking in the mountains; watch, clock and knife shows; reading; opera; and going to German car races at Road Atlanta

FAMILY: Wife, Sharon, five children and seven grandchildren

WEBSITE: www.arbor-nomics.com

Richard Bare, president of Arbor-nomics, is a voracious reader. At the top of his list these days (and in the hands of his management team) is Dale Carnegie's *How to Win Friends and Influence People*. "This book is like the Bible," he says. "If everyone followed its precepts, there would be no wars, divorce, discord, nothing. It is the final say on how to treat people — and it was written in 1936 and still applies today."

What lessons did you take from Carnegie's book? Don't criticize, condemn or complain. Make people feel important. Give people what they want. Become genuinely interested in other people. Give honest and sincere appreciation. Smile. Remember people's names. Be a good listener. In other words, be like your dog.

You're regarded as a marketer and salesman par excellence. Please tell us how you keep your message in front of clients. The trick to coming up with successful ideas is to test a few new ones every year. One of the ideas that has been the most successful for us has been SEO — search engine optimization. We urge customers to pay online, which gets people to our website. We highlight and ask them whether they would like other services, such as seasonal services. All they have to do is click on a box and get an estimate. We've increased our add-ons with virtually no investment.

What marketing programs have been duds? I'd have to say subdivision directory ads, just about any kind of print ad, and TV didn't work for us.

What's your secret to increased growth during a downtime? Our service. We interviewed 100 customers recently about why they liked us, and it came down to our great customer service. Not only does this encompass our customer service department, but it's also about our technicians. They each have their own route and treat it like their own business. They are knowledgeable and accountable. Some have been with us 15 years. We answer the phones in person and we do more than the customer expects. It's simple: we under-promise and over-deliver; it's gotten us on the *Inc.* 5000 list four years in a row!

What's the biggest change you have seen in the lawn care business since you founded your company 30 years ago? In Atlanta in 1980, 95% of the lawns were fescue, now fescue is 40%; Bermuda and zoysia are more prominent. We still have the basic components — fertilizer and weed control — but we're more sophisticated. We're able to respond to customers within 24 hours because of our computer systems. We don't get lost with our GPS systems. We can print invoices from air-conditioned trucks, and we can even type out notes when we are there so they can read our handwriting. We automatically have a record of every speck of it.

Another big change from 30 years ago is that almost all of our clients now have

mowing maintenance services and sprinkler systems, so that makes it easier on us.

WEB EXTRA For more from Arbor-Nomics, visit www.landscape-management.net/arbor-nomics.

“(OUR TECHNICIANS) EACH HAVE THEIR OWN ROUTE AND TREAT IT LIKE THEIR OWN BUSINESS. THEY ARE KNOWLEDGEABLE AND ACCOUNTABLE.” — RICHARD BARE, ARBOR-NOMICS

A SUPPLEMENT TO

Landscape Management

The **INDUSTRY PULSE**

↓
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Landscape Management
measures the industry beat,
offering strategies to maintain
and improve business health
in 2011. **BY NICOLE WISNIEWSKI**

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Ken Taylor, CLP
Sales Manager — Commercial
Business Development

We know many of you started your businesses with a truck, trailer, mower, some hand tools and, most of all, a passion for creating, beautifying and maintaining outdoor spaces. From those humble beginnings, you have grown into the trusted brands you represent in the markets you serve today.

Founded in 1837, John Deere came from a very similar simple and committed start — a one-man blacksmith driven by innovation, integrity and quality to help his customers bring productivity to the land. Now we're a corporation that employs more than 50,000 people and we maintain our passion to help customers work the land to create sustainable landscapes throughout the world.

Over the years, we've all had challenges and we've refined our businesses, moving and molding with the times, taking advantage of new opportunities and building and growing our people and our brand along the way.

The recent recession has, undoubtedly, been challenging on businesses. Many who've been in the industry more than 20 or 30 years claim it's been the toughest time they've encountered since their inception. If these challenging economic times have taught us anything, it's to remember our simple beginnings — the drive and focus that inspired us to follow our entrepreneurial spirits and soar. As I talk with lawn care and landscape professionals across the country, I hear optimism and focus. And it's inspiring and contagious. Instead of succumbing to flat growth, many of you are taking your lumps and renovating your businesses, implementing lean principles and, yes, even growing in the more complicated business environment we work in today.

To help fuel the fire of this positive business spirit, the stories in this report reflect on the 2010 challenges the industry has faced in various business categories. And, more importantly, each story provides you with some 2011 goals — a few bullet points you can add to your business plans to inspire you and help you continue to drive your businesses through the difficult challenges ahead.

Today's economic reality calls for new and innovative approaches, and John Deere is dedicated to providing you with the support and solutions to help you succeed. Our commitment to your business does not stop with providing quality products and solutions through our experienced John Deere dealer network. The John Deere dealer is there to support your business needs after the sale with the most extensive factory trained service technicians and knowledgeable parts staff in the industry. We have one priority: To ensure product uptime in the most responsive manner, because downtime is not an option when you are running a business!

While the future may be uncertain, the industry's ability to adapt and embrace change will continue to drive bright spots through those economic storm clouds and create a smarter, tougher and more focused industry.

We hope the work we do in 2011 and beyond will move us closer toward becoming your most trusted supplier on the job site. We and our dealers look forward to seeing you soon, whether at an industry event or other John Deere location.



JOHN DEERE



Adapt or die

Diversification reigns as contractors adjust to the beat of what they are describing as a “fundamentally changed” industry.

Many landscapers are using the word “flat” to describe business this year as owner and consumer confidence and service pricing remain low, office buildings and homes suffer high vacancies and margins dwindle under the continued, tighter restraints of running a landscape business.

But despite the lingering recession, the industry has not flat-lined. It still has a pulse — nearly half of contractors (47%) say so, describing the industry as healthy. *Relatively* healthy dominates at 39% over the mere 8% who call their market *very* healthy.

While total company revenue growth was slight in 2009 at 1.41%, 2010 growth expectations are better at 4.6%. And average net revenue is 8.91%. But one can't ignore those other nagging figures — blips on the screen that show an erratic or unusually slow heartbeat. These are the 27% of people who say the industry is down ((the majority of which (14%) call it down significantly)) and the 26% who describe it as just flat.

“It’s the uncertainty that’s scary,” explains Joanne Kostecky, president of Allentown, PA’s Joanne



GROWING PAINS

	Avg. 2009 Growth	Avg. 2010 Growth
Lawn maintenance	4.75%	6.60%
Design/build/installation	-1.94%	2.16%
Chemical lawn care	1.66%	4.56%
Irrigation	0.93%	5.20%
Total company revenue	1.41%	4.63%

TOP PRIORITIES

1. Maintaining current business/sources of revenue
2. Growing my business
3. Cutting expenses
4. Innovation (finding new ways to do business)
5. Managing cash flow issues
6. Adding new services to offer more to core clients
7. Adding or improving green/sustainability services for customers



SOURCE: LANDSCAPE MANAGEMENT

TAKE-AWAYS

2010 Industry Setbacks

1. Service pricing decreases, reducing margins.
2. Uncertainty lingers with clients and owners.
3. Business becomes more complex and volatile.

2011 Industry Goals

1. Improve efficiency to make up for price reductions.
2. Diversify and adapt to today’s “new reality.”
3. Understand customer needs before making business changes and then integrate their feedback into future reinvention/planning.

Kostecky Garden Design. “Nobody knows how long this recession will really last.”

The recession in the mirror may be larger than it appears, according to small business intelligence database Sageworks. Looking at revenue data from more than 25 million small businesses, Sageworks CEO Brian Hamilton says small business sales were down 5% over the past two years, and then down another 5% the following year. “When you go down 5% and then 5% again — as anyone who knows the magic of compound interest will tell you — that’s more than a 10% decline,” Hamilton says. “That level of revenue shrink can have a fearsome effect on the bottom line. Deleveraging assets is the technical term, which translated means, ‘I’m stuck with the same fixed costs but have less income with which to pay them.’”

The bright spots seem to be coming from those contractors who check their pulse regularly, see an unusual or unexpected throbbing and make changes to get a strong, systematic, pounding rhythm going again.

At least that’s the case for those owners who’ve recognized “that in repairing our damaged economy, many of the ways in which we used to conceive of doing business will be fundamentally changed,” says Kirk Brown, Joanne Kostecky Garden Design’s business manager.

What does this mean for the industry? “We will never go back to pre-recession highs,” Brown believes. “The successful companies will be those who can adapt and grow in new models of their former selves.”

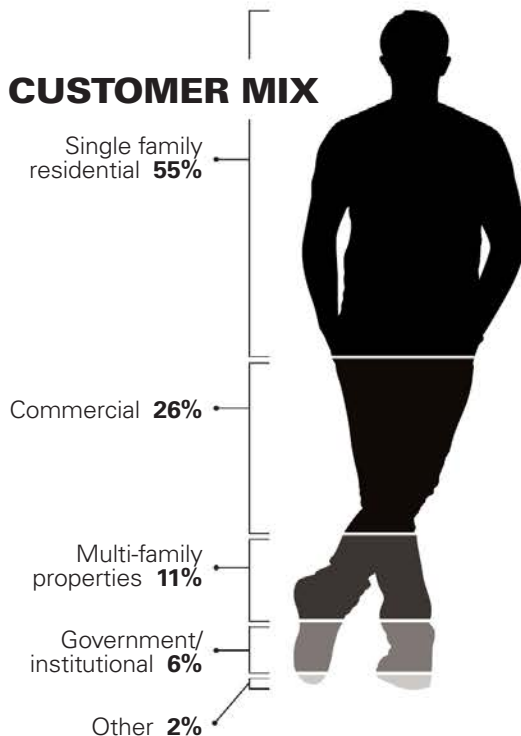
Action, reaction

To outperform the economy, contractors are taking action, what business expert and *Harvard Business Review* blogger Jeff Stibel describes as “an entrepreneur’s best weapon.” “Small businesses can adapt to any circumstance quickly,” he says. “As every thriving entrepreneur knows, speed breeds success.”

Certainly, nothing tops money as the largest client concern. For that reason, when offering new services today landscape and lawn care professionals are



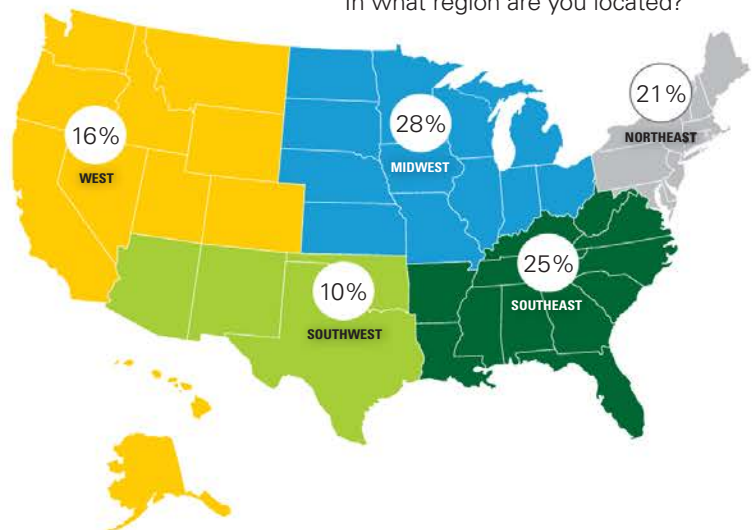
CUSTOMER MIX



SOURCE: LANDSCAPE MANAGEMENT

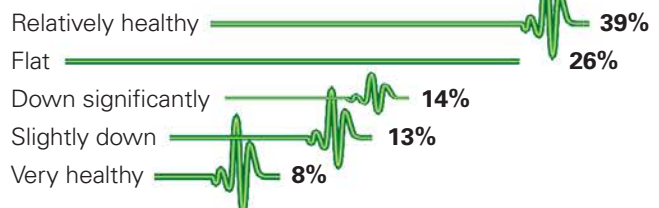
LOCATION, LOCATION, LOCATION

In what region are you located?



TODAY'S PULSE

Describe the state of the industry in your region.





PULSE PROFILE

PRIME LAWN/PRIME DESIGN

THE OPERATING ROOM

AT A TIME WHEN industry operating costs increased 5.69% on average in 2009 and another 6.49% in 2010, according to *Landscape Management* research, Matt Griffin was able to reduce his operating costs by 6%.

"That's not a big number but it is when you look at it over the large scale of a year's time," says the president of \$1.5 million Kingwood, TX's Prime Lawn/Prime Design.

To do this successfully, Griffin made some smart cuts. "We eliminated water delivery," he says. "And the cleaning lady comes only once a week now vs. twice a week. We send out someone to pick up paper instead of having it delivered. And we talked to our phone company about reducing those costs. Basically, we are just cutting back on anything that isn't a necessity."

Though the recession wasn't a total shock to Griffin, "it did surprise me how fast everything happened," he says, adding that his numbers are still down by 10% but that's better than last year's 18% to 19% decrease. "When it falls it brings down a lot - I guess that's the nature of the beast. I know some guys who are down 40%."

But Griffin is feeling a sense of recovery. "I think it's getting better," he says. "Whether we're out of it or it's just on its way out, I don't know. But I think it could've been worse."

Next year has Griffin hopeful. His 95% residential customer base did put off some jobs this year, whether they were maintenance or just cleanup or even a patio. "They initially put it off to save money and now they're starting to want to do things," he says. "They're looking at things that have gone into such disrepair that they want to fix it up."



Matt Griffin

looking at things that alleviate the big pain point for customers — saving cash — to provide the ultimate direct benefit for themselves — growing profit. The specific markets that are proving successful add-ons for contractors vary from enhancements to water-saving and sustainability services to specific client needs identified through company surveys.

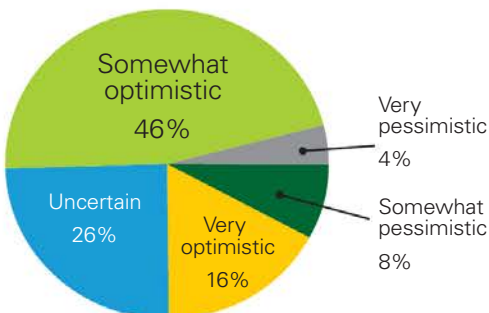
Another challenge has been knowing expansion or diversification is necessary, but not knowing what services would prove profitable or what changes would make the right difference in the bottom line. "We're looking to expand into markets we're not strong in," says Todd Dilley, general manager of The Lawn Ranger, Minneapolis, MN. "I don't know what those are yet, but that's what we're looking into."

In the past three CEO Studies conducted by IBM, coping with change was the most pressing owner issue. However, in 2010, a new primary challenge emerged: complexity. "CEOs told us they operate in a world that is increasingly volatile, uncertain and complex," the study explains, adding that 81% of CEOs anticipate business complexity to remain high or very high over the next five years. "Many shared the view that incremental changes are no longer sufficient. The most successful organizations are using entirely new approaches to tap new opportunities and overcome challenges to growth."

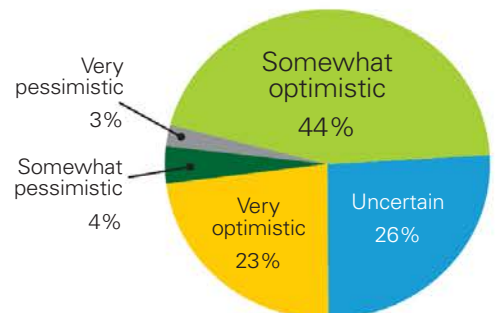
A warning: Don't diversify just for diversification's sake, stresses Chris Senske, president of Senske Lawn & Tree Care in Kennewick, WA. "We're diversified enough that it's almost hard to keep track of what we already do so we're not adding any new services or departments," he says.

Adapt to economic challenges, strategically diversify, and then "test, measure, refine and repeat," Stibel suggests, urging contractors to be flexible today.

2010 BUSINESS SENTIMENT



2011 BUSINESS OUTLOOK



Uncertainty remains the same ...
 but pessimism drops by almost half.

SOURCE: LANDSCAPE MANAGEMENT

“Spend your time with your ear to the ground and respond accordingly.”

New reality

Though contractors are worried, they are maintaining optimism. This year, 62% of contractors feel optimistic, and 67% are feeling positive about 2011, according to *Landscape Management's* survey.

However, uncertainty still lurks around corners. A quarter of the industry feels uncertain about business this year and that grows by a percentage point in 2011. And, nationally, 75% of small business owners believe it is likely or highly likely that the economy will slip into another recession before it fully recovers, according to the September Discover Small Business Watch.

“I’m not an economist, but this recession is lasting longer than I thought it would,” says Bob Grover, president of Hillsboro, OR’s Pacific Landscape Management. “I’ve been working full-time since 1983 and this is the deepest one I’ve seen. I’ve heard discussion that it won’t get back to the glory days so we’re trying to prepare for the idea that it won’t be the level it was before, but it will get better. The term ‘new reality’ is something we’re preparing for. We’re preparing to be able to operate in an economy that is slower than it used to be but hopefully better than it is now.”

“Nothing would surprise me,” agrees Matt Griffin, president of Prime Lawn/Prime Design, Kingwood, TX. “But the idea that it could be worse than last year would scare me. I think it’s going to be better – I’m optimistic.”

David Norred, founder of Laguna Niguel, CA-based Nor-Land Landscaping Co., doesn’t feel as positive. “Overall, I think we still have some time yet before happy days,” he says.

“I worry that if we don’t have some level of improvement, we’ll continue to have further erosion of pricing and further cutbacks of our customer spending,” Grover points out, saying his biggest fear is his customers would want nothing else except to have their lawns mowed. “I hope our enhancement sales will start to go back up again instead of people thinking they don’t need flowers or any extras. I don’t expect it to miraculously recover for 2011, but I do hope to see *some* recovery.”

Ultimately, “perception is reality,” Dillely says. “It’s a tough time, no doubt, but I try to look ahead and stay positive. I look at it this way: If you’re not positive and excited, your customers and employees will take that cue. You have to portray a positive image.” **LM**



TOP 10 REVENUE OPPORTUNITIES

1. Residential design/build/installation and renovation
2. Commercial maintenance/mowing
3. Residential maintenance/mowing
4. Commercial design/build/installation and renovation
5. Irrigation/water management
6. Green/sustainability services
7. Chemical lawn care services
8. Landscape lighting
9. Snow and ice management
10. Water features/pond installation and maintenance

SOURCE: LANDSCAPE MANAGEMENT

RECESSION WATCH

75

% of owners who think another recession is likely before full recovery.

SOURCE: DISCOVER SMALL BUSINESS WATCH

TOP CONCERNS

3. Consumer confidence
4. Properly and competitively pricing my services
5. Lack of time to chase new business opportunities
6. Accounts receivable
7. Accounts payable
8. Lack of staff to respond to business opportunities
9. Making payroll

SOURCE: LANDSCAPE MANAGEMENT



A GOOD INVESTMENT

28

% of small business owners who plan to increase spending on business development over the next six months.

SOURCE: DISCOVER SMALL BUSINESS WATCH



The consumer recovery

Consumers will spend again ... but not excessively.

Some people described it as gluttony. Others called it obnoxious. It was consumers' "I have to have it" mentality. Anything was attainable to people who wanted it. If they didn't have the money, they borrowed it. Today, that has clearly changed.

Contractors now use words like "cautious," "careful" and "conservative" to describe customer spending. Clients seek information before they make any decisions and are more frequently asking about deals and discounts. Instead of making instant purchasing decisions, they hesitate. They consider. They ponder. In the *Landscape Management* survey, 36% of lawn care and landscape professionals say customers are taking more time to make decisions.

And, in today's depressed economy, "bad news travels too fast," says Joe DiRoma, owner, DiRoma Landscaping, Lisbon, CT. "People are sitting on the fence not spending money until they see what other people are doing," he says. "I think they hear so much about the economy and that makes them more cau-



tious. They hear other people are struggling and they're worried about spending their own money."

Instead of neighbors one-upping each other, gushing about new furniture or their bigger and better televisions, the water cooler battle is who has the saddest story to tell. According to Gallup.com's latest consumer confidence survey, 47% of Americans rate current economic conditions as poor and 63% say economic conditions are worsening.

Though unemployment is tough and home values are not at their best, "my impression from surveys we get back from customers is their reasons for discontinuing service is not that they lost their job or home value has gone down," shares Chris Senske, president of Kennewick, WA's Senske Lawn & Tree Care. "It's just that they're uneasy and hanging on to money. People are unsure."

"We do have customers telling us they want to scale back and we did lose customers who told us it was because of the economy," admits Giuseppe Baldi, landscape maintenance manager for Baldi Gardens in Arlington, TX. Though he feels this was worse in 2009 compared to this year.

What has changed? There's been "a profound shift in client needs and expectations," says Kirk Brown, business

TAKE-AWAYS

2010 Consumer Confidence Setbacks

1. Customers demand more deals and discounts.
2. Constant barrage of economic negativity increasing fear, even when money isn't an issue.
3. Pickier customers.

2011 Consumer Confidence Goals

1. Build consumer faith in the value of landscape services.
2. Strengthen customer relationships.
3. Phase work into easier to swallow, bite-size chunks.