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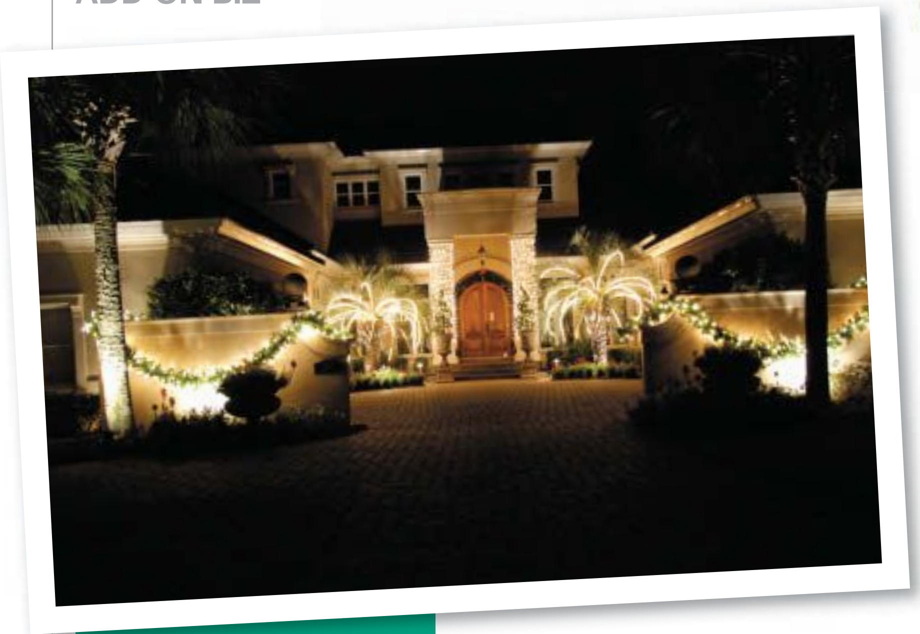

Software that can help take a potential customer's home and allow contractors to show them the lighting possibilities can help make the sale easier.

continued from page 70

the spring — requiring new hires and more training. It's a quick way to lose good workers.

The key to lessening the challenges and running a successful holiday lights service is training, contractors say.

Lint says getting the labor right is the only way to make a holiday lighting service work. "I picked up jobs from companies that have gone under trying to do lighting," he says.

One way to improve the math in holiday lighting labor is to track efficiencies on a computer and review when the season is over and make adjustments, Lint says.

There's also the possibility that after a few years, established customers quit upgrading. "You do well if you sell lights and install them," Zellmer says. "Roughly half the profit is lights and half is labor. If they don't upgrade, then you're only making half of that."

The trends

The biggest evolution in holiday lighting is in the adoption of light-emitting diodes over the old-school incandescent bulb. LED lights are loaded with positives:

PHOTO COURTESY: THE LIGHTING CO.

1. Over the last five years, LED technology has improved and become a more reliable form of lighting. LEDs are available in more colors and provide more versatility in displays.

These advancements improved the little things, like providing several variations of white, the most popular lighting color. The advancements also improved bigger issues, like the amount of outlets and power needed for displays. "If it was a large project, an electrician would come in for more plugs," Stephens says. "LED offers the contractor more flexibility. Jobs that used to take five or six power sources can run on one or two, now."

This then leads to better and more impactful displays.

2. LEDs are much more energy efficient. They typically consume 90% less energy than incandescent lights.

In turn, LEDs last longer. Buy an LED display, and there will be little to replace for years. "They last 10 times longer than incandescent products," Trimble says.

The only problem? LEDs can be pricey. Sticker shock sometimes has a bigger effect on customers than the promise of overall cost savings and efficiency.

Darryl Zellmer, president of Turf and Tree Worx in Wisconsin, says he's "not seeing the LED trend" take shape with his company because customers are avoiding the high cost.

Craig says its on the contractor to relay the benefits of LED and change their thinking without being pushy. "More and more customers are becoming aware of the positives," he says. "They look at the initial investment and say, 'Oh!' But then they look at a power bill and see how much it's reduced, so it's a trade off."

Trimble says multi-color lights had a huge jump in sales last year. "We had a massive spike in color orders last year," he explains. "Combinations of red, green, blue and amber. A huge spike like that we haven't seen in five years."

The trend isn't leaving white or clear lights behind, but Stephens says it's subtly having every fourth bulb be a different color, or doing bushes a different color, but leaving the house white.

"We're also seeing a lot more greenery and day time décor," Stephens adds. "Greenery in bows, a lot of requests for adding the berries and pine cones into the greenery for a more realistic, traditional look."

"Our clients," Heese says, "don't want just a string of lights across their gutters. They want gift boxes, toy soldiers, icicles, candy canes, glacier lights — all pure white LED that fades to blue LED on a cycle." LM

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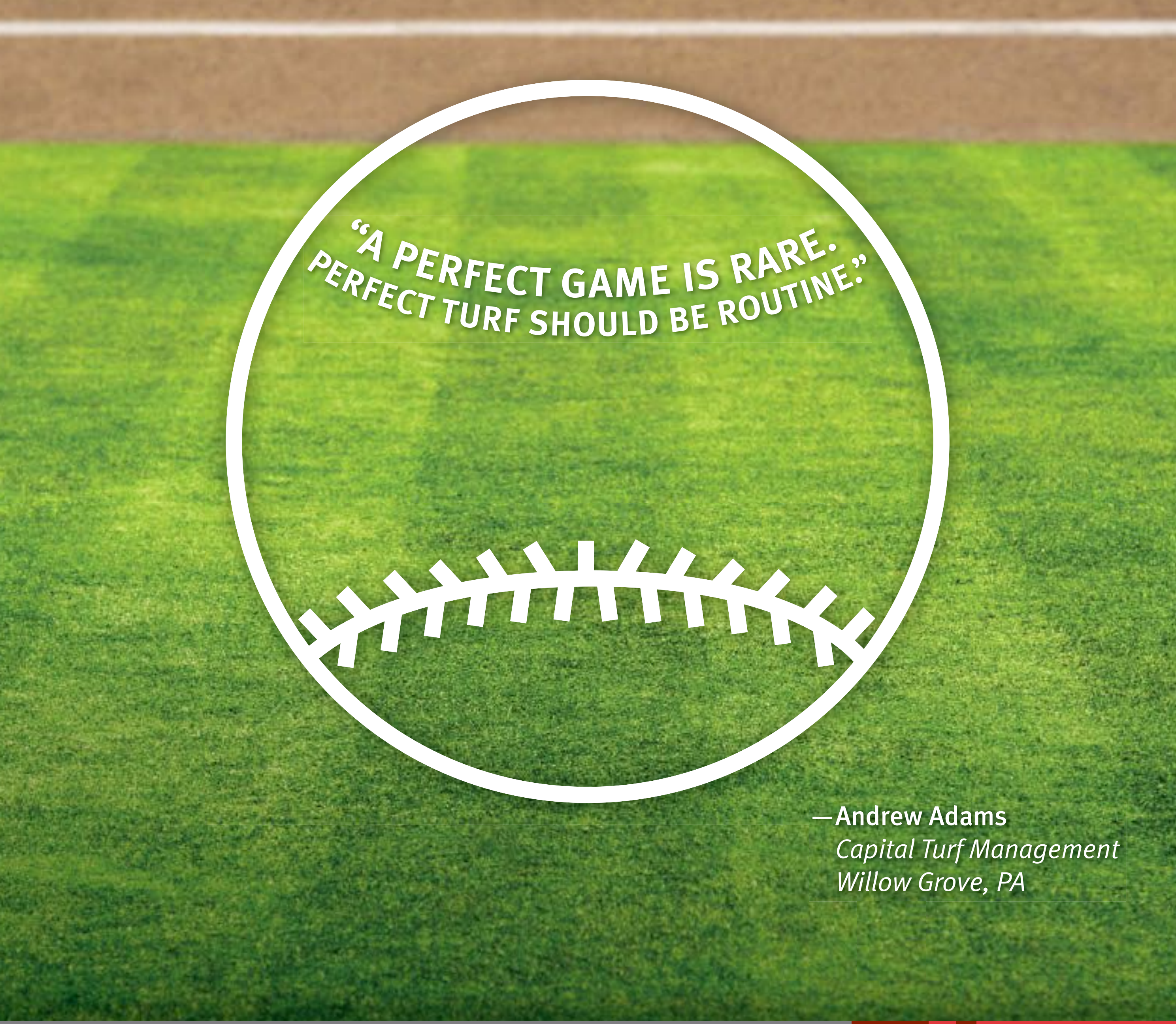

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[ALL ABOUT GROWTH]

The growth imperative

Creating healthy, profitable and sustainable businesses.

BY **PHIL HARWOOD**

A RECENT STUDY of more than 3,000 business owners and managers found growth was their No. 1 priority. This study was conducted by Pro-Motion Consulting in the fourth quarter of 2009. Not surprisingly, their other top priorities were closely related to growth: becoming more strategic, improving sales processes, fine-tuning marketing messages, etc. This focus on growth is not a new phenomenon, but it is more of an imperative for businesses that endured recent periods of slow or negative growth.

Businesses that are not growing often become obsolete and find it difficult to recover. They lose their best people. They stop investing in new technology and systems. They become inwardly-focused. They lose their way. This is a recipe for disaster.

So, you want to grow. This is easy to say, but what specifically does that mean? In what market segments will you grow your business? What initiatives are you taking to drive sales? What marketing support will your sales efforts have? What will these initiatives cost? Are these costs in your budget? Do you have a budget?

In my experience, many businesses want to grow, but they struggle with developing and executing a concrete growth plan. If statistics hold true, only a few of those who participated in the Pro-Motion Consulting study will achieve their growth objectives for 2010. Here, we discuss why growth remains elusive for many businesses and what they can do about it.

3 Key ingredients of growth

Growth involves moving your business in a certain direction — toward something and away from something else. It implies the existence of a goal or outcome related to this "something" in the future. This "something" is often called your "vision." Growth that moves you closer to your vision is good, and growth that moves you away from your vision is bad. Yes, there is good growth and bad growth.

You may or may not have a vision for your company, but I would venture to guess that most business owners desire to create a business that is healthy, profitable and sustainable. Let's take a closer look at each of these areas.

Successful businesses are healthy. Just as individuals are relatively healthy or unhealthy, so are business organizations.

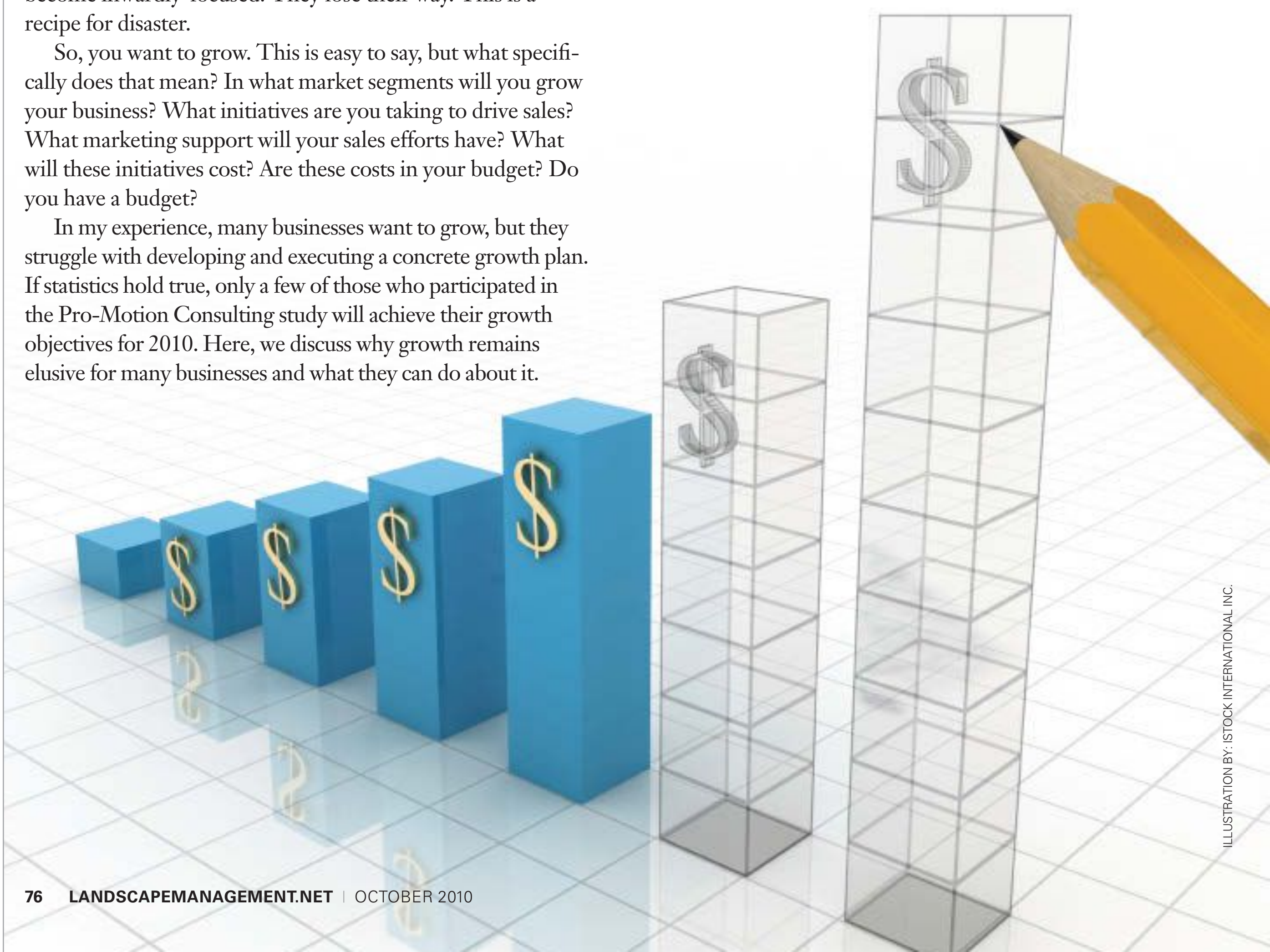

ILLUSTRATION BY: ISTOCK INTERNATIONAL INC.

Poor organizational health is indicated by a lack of vision, poor leadership, weak culture, high employee dissatisfaction, high employee turnover, poor market positioning, lack of accountability and lack of teamwork.

Successful businesses are profitable. More precisely, they're consistently profitable, year after year. Strong financial planning systems must be in place to accomplish this. Consistent, long-term profitability is not a result of luck or hard work. It's a result of executing a strategic business plan and maintaining a strict financial management program.

Successful businesses are sustainable over the long-term. They have visionary leadership that takes into account the future of the organization, the world we live in and how the two are related. They not only have a five-year plan but a 20- to 30-year plan with a clear strategy for executing these plans. These businesses understand their roles in society, are willing to provide leadership in their areas of influence, and respect their stakeholders along the way.

Systems make it happen

Most businesses don't have a system for growth. More specifically, they lack a strategic planning system. And most businesses that do have a strategic planning system struggle with the execution of it. It should be no surprise to us that most businesses fail to achieve their goals. An effective strategic planning system will not only include the development of a strategy but also the execution of it. I've found execution is the most difficult aspect of a strategic planning system and the area in which most firms fail.

One of the challenges for smaller (under $50 million in annual revenues) firms is the owners and managers are not interested in complicated and expensive strategic planning systems. Unlike larger firms, they have limited time and resources to devote to strategic planning. This is one of the primary reasons why many of these firms don't even attempt to implement formal strategic planning systems. Instead, they rely on their instincts and hope for the best.

However, I've found strategic planning systems don't need to be complicated or expensive. Instead, these systems need to be simple to understand, easy to implement, and they should include a way to monitor results. Business owners have a duty to seek out such solutions for the sake of themselves, their families and other stakeholders. No ship sets sail without a map. No plane takes off without a flight plan. No business should attempt to operate without a strategic plan.

Key ingredients of a strategic plan include: analysis of resources, capabilities, strengths, weaknesses, competitors, market dynamics, threats, and the identification of growth opportunities. Often times, there are more opportunities than resources, forcing the selection of only the best opportunities.

Time to strategize

With the meltdown of the real estate sector and profit margin erosion in commercial maintenance services in many markets, many firms are looking to expand services. This is one viable alternative, since selling more things to existing customers is usually a solid growth strategy. At the same time, there is risk when considering expanding services, and this decision should not be made without thoughtful analysis and consideration.

Other firms are looking to reduce services, so they can focus more intently on their most profitable services or those they are most passionate about. When times are good, it's easy to begin dabbling in peripheral activities that only serve to distract a company from its core mission. Becoming an expert in a niche area is another valid growth strategy.

In other cases, firms are achieving growth by simply focusing on sales and marketing activities. They're staffing these areas with better people, committing more resources, talking with more prospects, proposing more work, and closing at a higher rate. To do this, they're investing in their people through sales training, improved systems, more marketing support and incentive compensation to drive results.

Regardless of the strategy, once the best opportunity has been identified, an implementation plan must be put into place, along with goals, accountabilities, metrics and scorecards to ensure effective execution. This is where the rubber meets the road.

The good news is now is the time. Most firms in the landscape or snow management industries find fall is the best time for strategic planning. The day-to-day demands of the business are at their lowest point of the year. Taking a day or two away from the business is possible. So there are no excuses for not having your strategic plan in place for 2011. Good luck. LM

$ GROWTH GOALS 1. Decide what you want to be and how you want to grow. **2. Build a growth strategy.** 3. Implement a strategic growth plan … NOW.

HARWOOD is president of Pro-Motion Consulting, and is a landscape industry certified manager, certified snow professional, PLANET Trailblazer and holds a masters degree in business administration from Michigan State University. Visit www.pro-motionconsultingllc.com for more information.

[STRATEGIC SOLUTIONS]

Go direct

Better understanding direct costs can mean more money from existing and new business.

BY **JAYME BROUDY**

Soon after the recession hit, I received a flood of questions about how to survive the recession. My advice was: Since you can't control the revenue, work on becoming more competitive by implementing better systems and business processes. Some owners took my advice and some didn't.

Now, as things are stabilizing a bit, guess who's winning the battle for new business and returning to profitability soonest? There are certainly areas where bidding wars are raging and profitability is suffering, but the efficient businesses can price lower, burn less cash, and will eventually wear down the competition and emerge victorious.

So what's this got to do with building revenue? Revenue alone doesn't feed the bulldog; business is about profitability, not revenue alone, and since you have more control over your internal costs than you do over the market's gyrations, it makes sense to pay serious attention to your internal costs.

For every point of cost you can take out (and a "point" means going from 35% to 36% of revenue) it's a point you can use to either increase profit in your pocket or reduce your prices and still maintain income.

The place to push hard is in direct costs, meaning the materials and labor used directly in producing your products or services. Reducing these costs means you'll make more money from both your existing revenue stream and all the new revenue that'll come in as things improve. A two point increase in gross margin percentage for a $500,000 business will create $50,000 in your pocket over five years — not too shabby. A $1 million business will see an extra $100,000 — even less shabby. And there are plenty of businesses that are leaving five points of gross margin or more on the table, but they won't for very long if they're still around at all.

How can you make this happen? Look at projects that will improve operating efficiencies, like:

- Better labor scheduling to reduce overtime or travel times.
- Detailed procedures that let people produce better results and less waste/fewer callbacks, etc.
- Tougher purchasing arrangements (your suppliers are in the same boat as you are; they need business.)

I like to attack direct costs first because of the leverage involved, but that doesn't mean indirect costs shouldn't be examined as well. A mistake that gets made here, though, is mistaking investments for expenses and throwing the baby out with the bath water. Systems development costs that produce ongoing returns, marketing efforts to maintain and increase revenue, and other things with payoffs are not expenses; they're investments (and in the case of systems/standalone work are actually going to end up improving margins, so they're doubly important). Don't lump these things together with office supplies and truck washes.

$ GROWTH GOALS 1. Improve labor scheduling to reduce overtime and travel time. **2. Set up systems to eliminate waste and produce better results.** 3. Review purchasing agreements and vendor relationships to ensure the best deals.

Does this mean you should stop chasing revenue? Absolutely not. Aggressive marketing is more important than ever (and marketing firms are becoming far more results-oriented than ever before, meaning they're more willing to be compensated based on whether their activities actually bring more business in the door). And when business is flat, it's especially important to maintain and increase your visibility, so think hard before reducing marketing spending.

It seems the worst is over (or at least it's not getting much worse), and now's the time to grab the business that's starting to re-emerge. We're seeing a buyer who's very conscious that you need his business more than he needs you, so being able to produce the highest possible quality at lowest price is more important than ever. LM

BROUDY is a small business consultant with Contractor's Business School. Before that she was a part of Michael Gerber's Gerber Business Development Corp. Reach her at www.contractorsbusinessschool.com.

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[STRATEGIC SOLUTIONS]

The hidden value of customer satisfaction

Use this long-term business strategy to drive profit.

BY **BILL HOOPES**

How important is customer satisfaction? Not an easy question to answer. We all have opinions. Few of us have real, experience-based answers.

How important is building profits and ensuring a greater return over time? To accomplish it, would you consider creating what can be a cultural paradigm shift in your company? Is an investment in re-tooling — or at the very least enhancing — your approach to building customer satisfaction worth the effort?

Sustaining ongoing profits

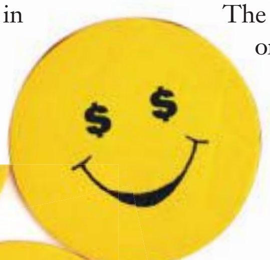
First, generating and sustaining ongoing profits in this economy is far from a slam-dunk proposition.

I see two general approaches to making money in the Green Industry today. First, the big company approach, involving lots of high-risk marketing and lead generation, followed by an intense, high-pressure sales process. The idea is to focus on selling more customers and selling current customers more of everything.

The second general approach, used mostly by small to mid-sized operators, is to generate leads via the referral process, sell the benefits of a relatively higher ticket service and maximize referral business, while minimizing customer turnover in the service delivery side of the business.

But, since the bottom fell out of the economy in 2008, marketing effectiveness, by any estimation, has been "iffy" at best. And, even if your marketing strategy has been satisfactory, it's still not cheap. If recent trends hold up, it's clear that the days of low cost customer acquisition are gone.

With this background, consider what I've found effective. The most successful Green Industry businesses focus on satisfaction — measurable, tangible satisfaction.



Satisfaction guaranteed?

Understanding what really satisfies customers — what pushes them to refer your company to others — is not simple, but it happens.

Satisfied customers do two things consistently and very well: First, they deliver higher lifetime value. They are with you longer and spend more money. Second, they sell your company for you. Both are, in tough economic times, invaluable.

So, regardless of their status today and track record of marketing and selling successfully in the past, more operators are taking a very serious look at building or rebuilding a satisfaction culture. Notice, I did not say service culture.

Building a satisfaction culture requires a process for eliminating mistakes and making each customer feel special.

First, understand sales and service are two sides of the same coin. If properly joined in a well-planned communication strategy, they result in higher customer satisfaction and longer, more profitable relationships.

Understand also that in the vast majority of cases, a company's marketing plan (generating interest), followed by selling process (closing leads), typically sets unrealistic expectations in the prospect's mind. Once sold, over time, the customer is disappointed and dissatisfied.

Finally, accept the fact that your leadership style — your

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