Marketing isn't enough 3

Marketing without connecting is just expensive noise.

That's how marketers describe a period they call "post-marketing." And your customers are controlling it.

What does this mean for business?

It means telemarketing is dead. It means Yellow Pages ads are dead. It means, in some cases, direct mail may even be dead. Ask John Gibson, president of Denver's Swingle Lawn, Tree & Landscape Care. He's lived through it all. "Telemarketing and the Yellow Pages have come and gone," he says. "But what really surprised us this year was direct mail. We did a big piece we expected to do well, but it flopped in the market. So now I'm thinking direct mail has come and gone, too."

Social media is the next great marketing wave — a way to connect with potential and current buyers on a different level. And you can ride it or let it pass you by. But it may be taking your customers with it.

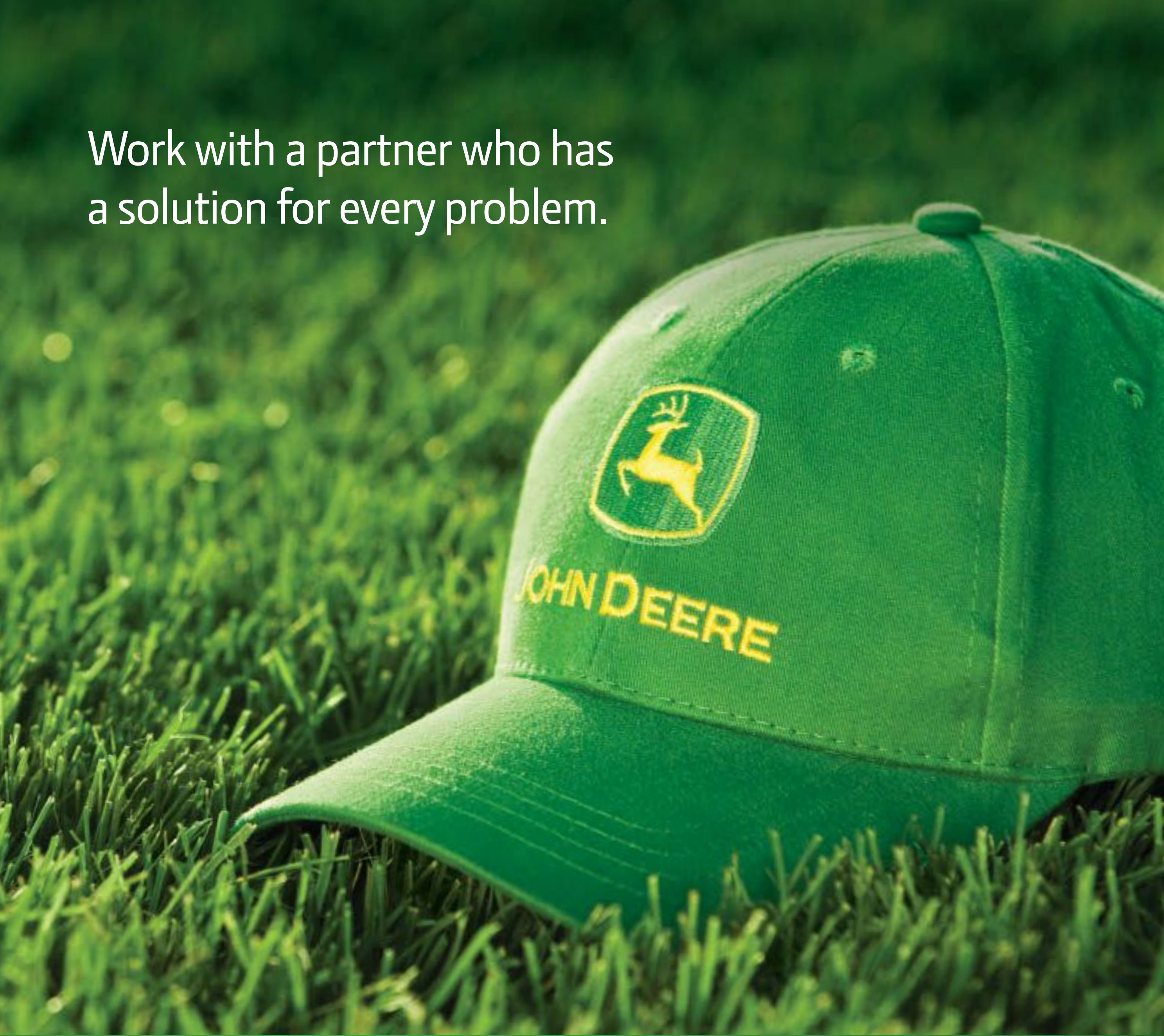
According to *Social Media Examiner*'s 2010 Social Media Marketing Industry Report, an overwhelming 91% of businesses said they were using social media for marketing purposes, but 65% have only been doing so for a few months. Ten hours per week was the average time spent using these tools — the top four being Twitter, Facebook, LinkedIn and blogs. Owners aged 20 to 29 spent the most time using social media, followed by 40- to 49-year-olds and then 30- to 39-year-olds.

But what does this time spent behind a screen actually do for business? Eighty-five percent of marketers say the No. 1 advantage is generating exposure, followed by increasing traffic (63%) and building new business partnerships (56%). And 74% of businesses who have used social media for years say it's helped them close sales.

And the cost? Just time. A significant percentage of participants in the *Social Media Examiner* study say their overall marketing costs dropped after implementing social media marketing. Maybe that's why in the prolonged recession, 67% of marketers plan to increase their use of blogs, Facebook, video/YouTube, Twitter and LinkedIn (in that order) in the coming year.

Another thing these tools provide is a means of push vs. pull marketing, meaning that instead of trying to pull customers to your website, you push relevant content and information straight to their iPhones, Blackberries, Facebook and Twitter feeds — anywhere, anytime. You do this right, and customers will "like" it and pass the word on to their friends. *Wired* calls it "a radical future of media beyond the Web." "The Web is, after all, just one of the many applications that exist on the Internet," the magazine explains in its September issue, adding as the Internet moved from your desktop to your pocket, the nature of it changed … and will continue to change. "Within five years, Morgan Stanley projects the number of users accessing the Net from mobile devices will surpass the number who access it from PCs."

"Blame human nature" on this movement, *Wired*'s Chris Anderson says. "As much as we intellectually appreciate openness, at the end of the day, we favor the easiest path." LM



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PRIDE, QUALITY & BRAND HAVE LOST THEIR EDGE

2

Residential and commercial customers alike have always craved a neatly manicured landscape that makes the neighbors and office parks next door envious. And they would do almost anything for it.

Not anymore.

Over the past two years, "pride has certainly become second to price," says Terry Delany, president of Fayetteville, AR-based GroundServ.

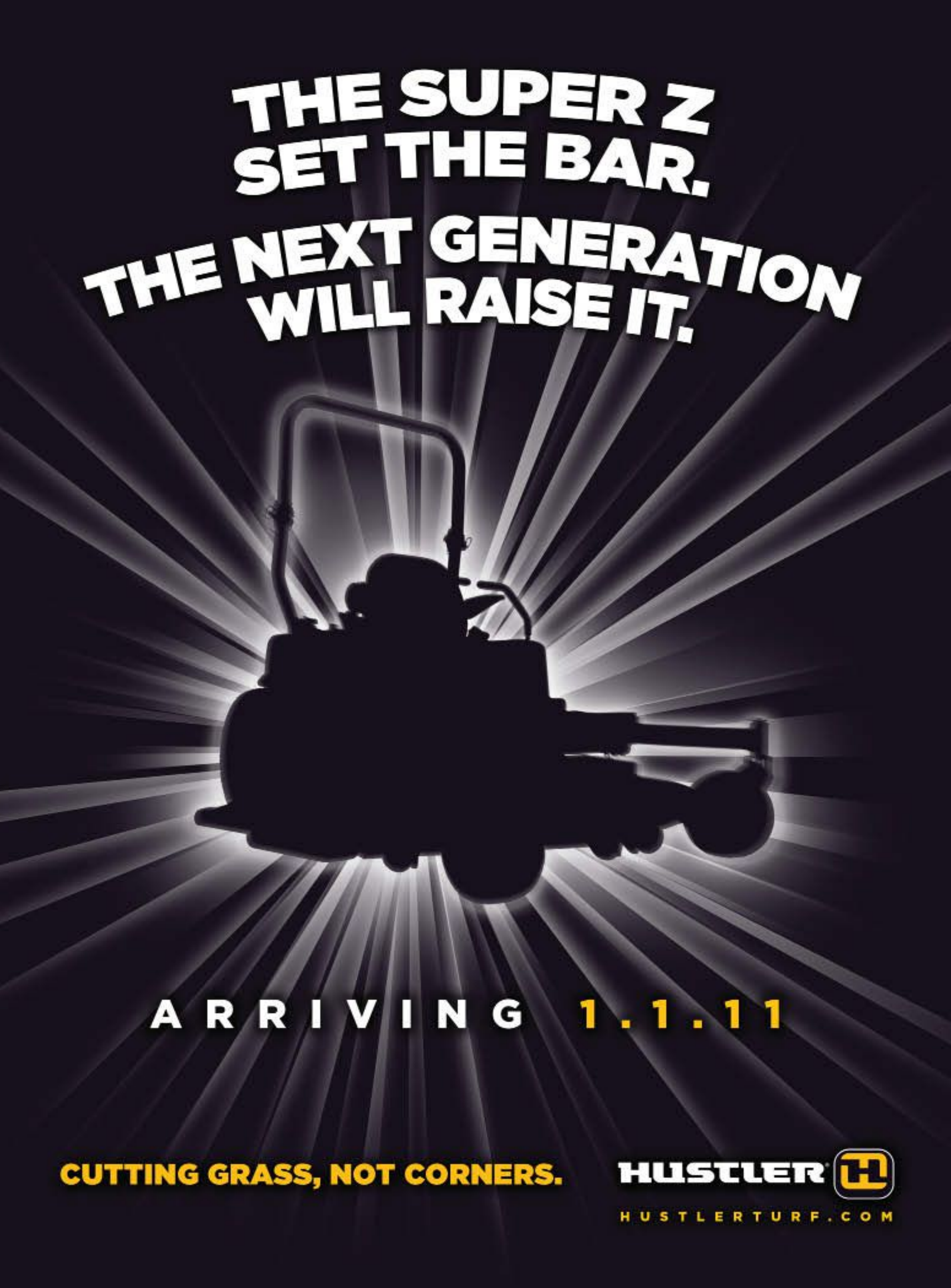
As a result of the recession combined with high drought periods, John Gibson, Swingle Lawn, Tree & Landscape's president, has even noticed that customers' acceptance of the standard of care on their properties has declined. "It became a badge of honor to have brown spots in their yards because it meant they weren't watering as much," he explains.

Quality has also faded. "Contractors are lowering their service levels and quality, as well as their pricing, further diminishing the traditional fair market," says Donnie Garritano, president of Las Vegas-based D&K Landscape.

And if pride and quality have slipped a few rungs down the ladder, Delany says brand has gone with it. "Customers used to look at a company like mine and it used to matter — we have trained employees who can be counted on to show up every Tuesday; we have systems and clean, recognizable trucks," he says. "But that doesn't matter anymore. We still tout our attributes, but the client just flips to the back page of our proposal to see the price."

Customer association with brand has declined across industries, fed by consumers' confidence in their buying power and need to spend less, confirms eBoost Consulting's Johnny Chan.

But don't stop entirely touting your brand, throw quality out the window or wallow in consumers' dwindling property pride just yet. Ever the optimist, Gibson believes there's some pride left. "There's less of it," he qualifies. "There's societal pressure now to spend less, but I don't believe personal pride of property will ever completely go away. The pendulum will swing back." LM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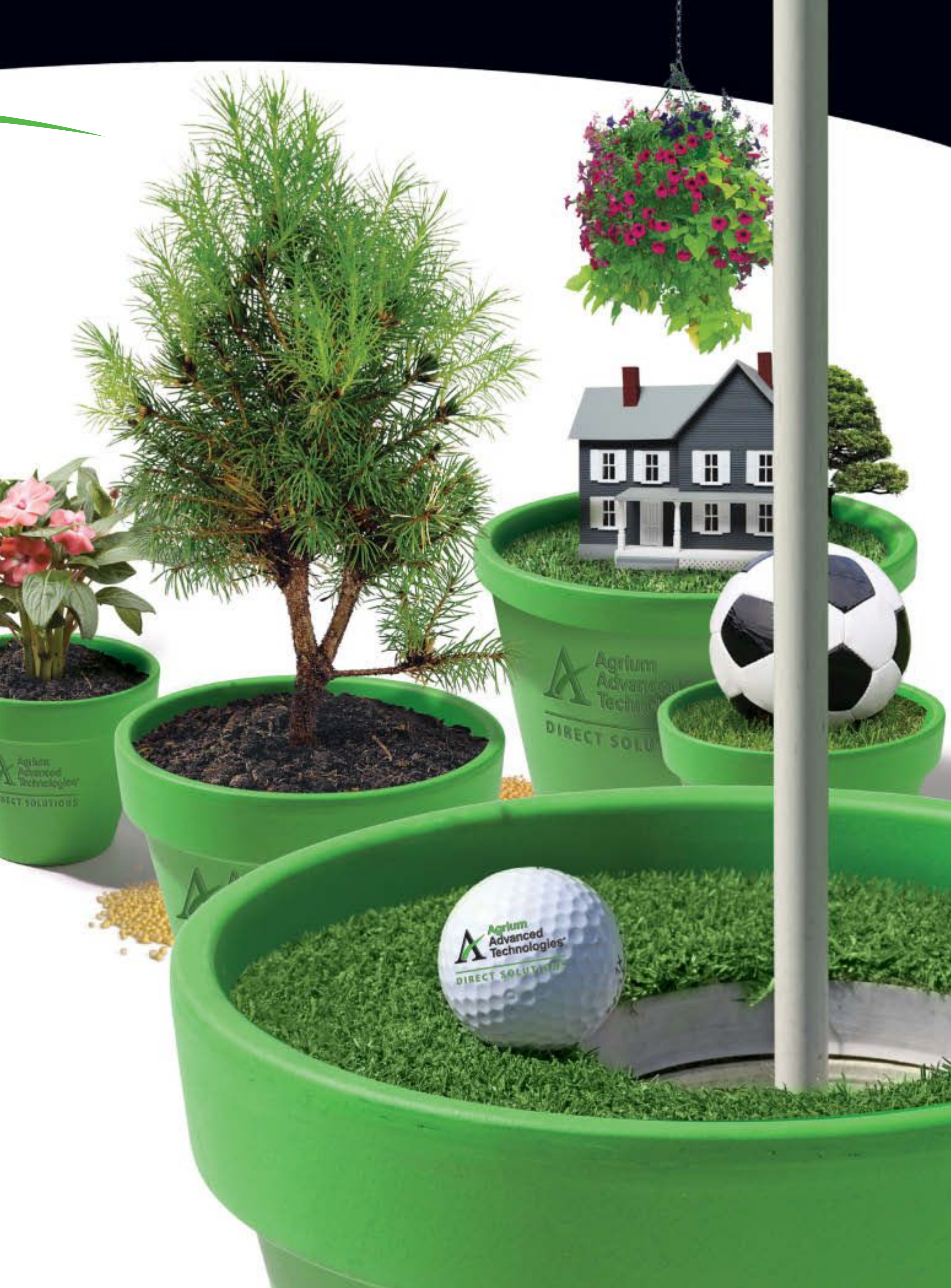
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LANDSCAPERS SURRENDER TO LOW* PRICES

* *As much as 50% lower*

IN 2006, TERRY Delany was bidding commercial mowing services at $40 an hour, and winning the work 85% of the time.

Business was good.

Then the president of Fayetteville, AR-based GroundServ noticed his close ratio starting to slow in 2007 and again in 2008. Taking a closer look, he found his competitors had already lowered their prices — first to $30 an hour and then to $27 an hour.

And they were winning the work — based solely on price.

To remain competitive today, Delany bids these same jobs at $25 an hour and closes sales less than 50% of the time.

As the pricing situation worsened, Delany did what every boat does when it finds out it's sinking — "started throwing stuff overboard," he says. "We cut positions, froze pay, eliminated paid holidays and vacations."

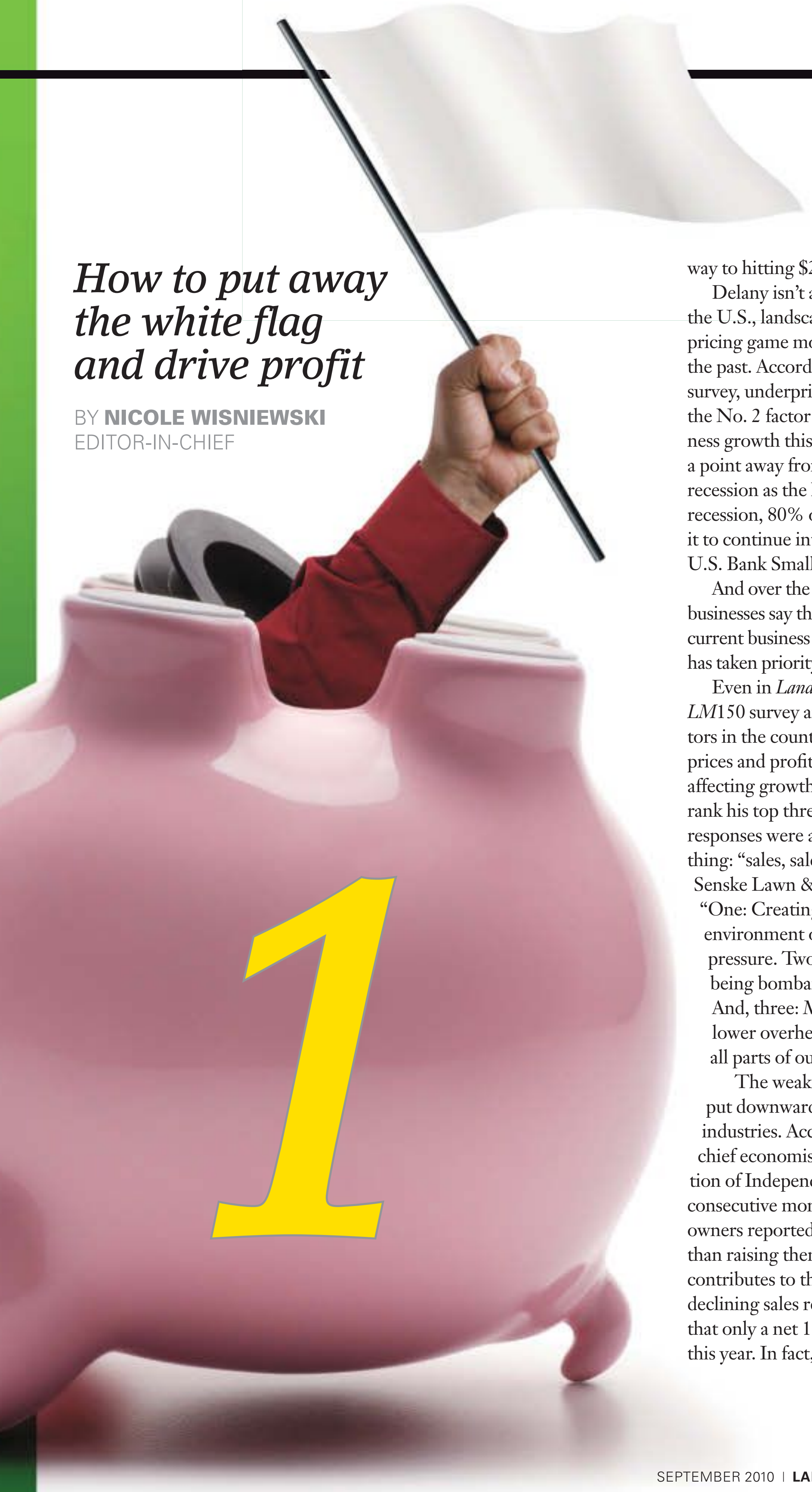
The company also boosted productivity to make up for profit loss. Installing $50-per-truck GPS units to improve routing saved $500 per month in fuel instantly.

Efficiencies helped, but what really saved the company from going out of business was forgetting about something he couldn't control: mowing prices. Instead, he focused on offering new services to his client base — services with less competitive pressure that he could price to generate profit.

As a result, his landscape company AAA Lawns became GroundServ, a commercial property maintenance company. And while mowing, which actually generates a negative profit percentage (-5%), gets Delany in clients' doors, new services like parking lot striping and stop sign installation bring in as much as 30% in profit. Now, instead of looking at tumbling below $1 million, GroundServ is well on its

How to put away the white flag and drive profit

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



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way to hitting $2 million in revenue next year.

Delany isn't alone. In many markets across the U.S., landscape contractors are battling the pricing game more than they've ever had to in the past. According to a *Landscape Management* survey, underpricing competitors ranked as the No. 2 factor negatively affecting business growth this year — less than a quarter of a point away from tying with the prolonged recession as the No. 1 factor. Speaking of the recession, 80% of small business owners expect it to continue into 2011, according to a recent U.S. Bank Small Business Survey.

And over the next six months, landscape businesses say their No. 1 priority is maintaining current business and sources of revenue. This has taken priority over things like innovation.

Even in *Landscape Management*'s recent *LM*150 survey and report, the largest contractors in the country repeatedly touted lower prices and profits as challenges negatively affecting growth this year. When asked to rank his top three challenges, Chris Senske's responses were all very closely related to one thing: "sales, sales, sales," says the president of Senske Lawn & Tree Care, Kennewick, WA. "One: Creating new profitable sales in an environment of extreme downward pricing pressure. Two: Retain customers who are being bombarded with low price offers. And, three: Manage operating costs and lower overhead to be more competitive in all parts of our business."

The weak economy continues to put downward pressure on pricing in all industries. According to Bill Dunkelberg, chief economist for the National Federation of Independent Business, June is the 19th consecutive month in which more business owners reported cutting average prices rather than raising them. "Widespread price cutting contributes to the high percentage reporting declining sales revenue," he explains, adding that only a net 11% of owners raised prices this year. In fact, the U.S. Bank Small Business

Survey cited poor sales as the biggest challenge facing business today.

And few customers wake up in the morning eager to pay higher prices either. A recent Gallup poll shows consumer spending this summer as being unchanged compared to last summer's decreased buying habits, suggesting they are getting settled into what Gallup and other economists are calling "the new normal."

"There's no question about it — price has come down; in many cases it's half of what it was five years ago," says industry consultant Phil Harwood. "There's a new reality. And contractors have to stop whining and find a way to make money now."

"It's not going back to what it was," agrees Donnie Garritano, president of Las Vegas-based D&K Landscape. "We have to accept it and adjust."

Contractors are taking lessons from Green Industry professionals who've figured it out, as well as others outside the industry who are thinking differently, to revive price — and, more importantly — profit.

STRATEGY A

SOMETHING NEW. Landscape business owners can get a lesson in pricing at least once a week with their trip to the local gas station, says Anne Graham, managing director of the Legendary Value Institute and a business lecturer at the University of British Columbia. There "you probably check the price per gallon often, but you might not check how much the chips cost in the store," she says.

Instead of raising prices across the board, which usually aggravates customers into seeking competitive bids — in her example, driving to the gas station across the street — raising less visible prices on services or products not every customer buys every time they do business with you (maybe a 1% or 2% or 5% increase) can add up to a big difference in the bottom line. In her gas station scenario, the bag of chips is an example of a product sold at a price that's rarely argued.

That, in essence, was Delany's pricing strategy. He had to do something. "My commercial customers started freaking out — the cuts they were making were ridiculous," he explains, sharing the story of one commercial property owner who cut services and started doing the work himself to save money. On top of that, the competition was getting fierce. "One of my loyal customers showed me five other bids priced lower than mine. I asked him why he requested five other bids, and he said he didn't — they just came in.

"The old theory was if you were