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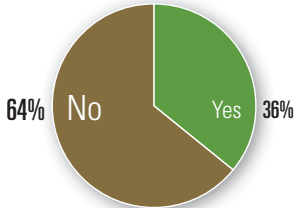
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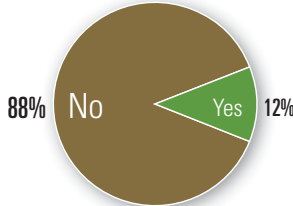
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EMPLOYEES & THEFT

HAVE YOU EXPERIENCED EQUIPMENT THEFT BY EMPLOYEES?



HAS THEFT BY EMPLOYEES INCREASED IN YOUR BUSINESS OVER THE PAST THREE YEARS?

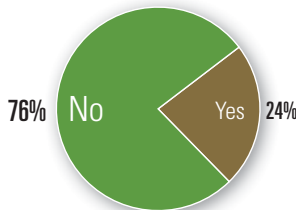


WHAT ARE THE MOST COMMON PRODUCTS/MATERIALS STOLEN BY EMPLOYEES?



- 41% – Handheld power equipment
- 39% – Fuel
- 14% – Customers (as side jobs)
- 11% – Trucks
- 10% – Plants/nursery materials
- 4% – Mowers
- 4% – Hardscape materials
- 0% – Construction equipment

DO YOU HAVE PROCEDURES IN PLACE TO REDUCE EMPLOYEE THEFT?



WHAT MEASURES HAVE YOU TAKEN TO AVOID OR DECREASE EQUIPMENT THEFT BY EMPLOYEES?

- 48% – Stricter penalties for employee theft as part of company policy
- 48% – Keep better records of equipment (PINs; serial numbers; make, model and year)
- 35% – Crew & equipment labeling to match employees with specific pieces of equipment
- 38% – Better security on trucks and/or investing in enclosed trailers/trucks
- 38% – Better security and lighting at storage facility
- 25% – More tracking devices and labeling on equipment
- 10% – Remove components to prevent equipment operation
- 8% – Request more visits/patrols from local law enforcement agencies



10

STRATEGIES FOR REDUCING EMPLOYEE THEFT

Theft by employees can include bookkeeping fraud, wasted on-the-job time (see “Theft in the dolphin tank,” page 14), clandestinely acquiring customer lists or using company equipment to do “personal” work. But, to the point of this article, it more often involves pilfering equipment, tools, fuel and landscape materials such as topsoil, mulch and chemicals.

Minimize employee theft by making sure there is an accounting for everything that is used, plus demonstrating to your employees how theft has an impact on their benefits.

Consider these 10 practical strategies to reduce victimization by your own employees:

- 1** Conduct thorough checks on the references of prospective new hires, as well as checks on their educational credentials and criminal history.
- 2** Establish a clear zero-tolerance policy on theft and security, and make sure all employees understand it.
- 3** Examine and update financial controls, such as keeping checkbooks locked up and limiting the number of people authorized to write checks; having good documentation on where money is spent; auditing internal financial documents regularly; and checking invoices to make sure they match what was delivered.
- 4** Implement a closely monitored inventory system for all tools and materials.
- 5** Assign and make employees responsible for the care of their own tools.
- 6** Have employees store all tools in a locked, but visible screened-in enclosure.
- 7** Keep all chemicals secured in locked, metal storage containers. Only selected supervisors have keys to these areas. These containers, as well as the tool enclosures, should be equipped with locks that require keys that cannot be duplicated at any hardware store.
- 8** Block access to the premises. Lock the doors. Turn on the security system. Employee theft often happens after hours.
- 9** Use GPS to track service vehicles and to monitor vehicle and fuel use.
- 10** Act decisively and immediately fire any employee proved to be stealing, as described by your company’s policy of zero tolerance.



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continued from page 20

estimate that 25% of the equipment that is stolen is reported with inaccurate serial numbers," she says.

Planned or a lark?

As pointed out earlier in this piece, there are two basic types of theft — pre-meditated and opportunity theft, meaning someone sees something they can easily steal thanks to carelessness or poor security and off they go with the item. Sometimes it's difficult to determine which is at play.

Drew Roberts, CPCU, ARM, an Orlando, FL-area agent specializing in writing schedules for Florida landscape companies, says about half of the major theft claims his agency has received are from owners whose trailers and equipment were snagged from storage sites. The other half was the result of trailers stolen from jobsites. Roberts, whose BearWise Landscapers is a division of Black Bear Agency, says it's difficult to assess how many smaller pieces of equipment are stolen from landscape companies because equipment loss coverage (theft, fire, hurricane, etc.) generally carries a \$500 deductible and these losses are usually "eaten by the owners," he says.

But, according to Roberts, major factors contributing to theft include:

- › the value of the equipment (newer units are more likely to be targeted than older ones);
- › poor equipment and site security;
- › the relative ease of selling stolen goods in the used equipment market; and
- › low risk of detection and prosecution.

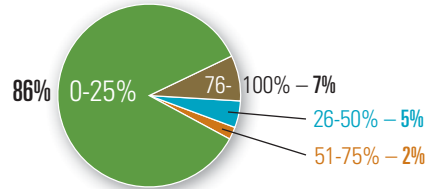
"Professional" jobs are not uncommon. LoJack, which offers vehicle and equipment tracking solutions, says it's helped law enforcement uncover more than 80 construction equipment theft rings and chop shops since 2000.

The recovery rate for stolen larger production equipment is depressingly low — just 18% in 2009, according to statistics maintained by the National Crime Information

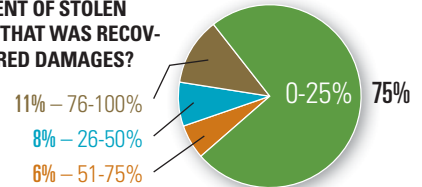
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FULL RECOVERY?

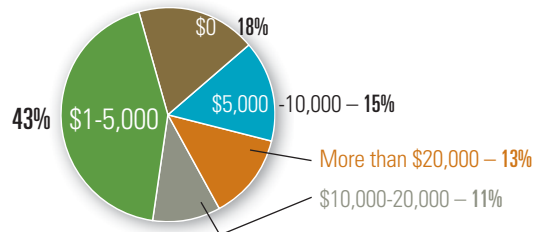
ON AVERAGE, WHAT PERCENT OF YOUR STOLEN EQUIPMENT HAS BEEN RECOVERED?



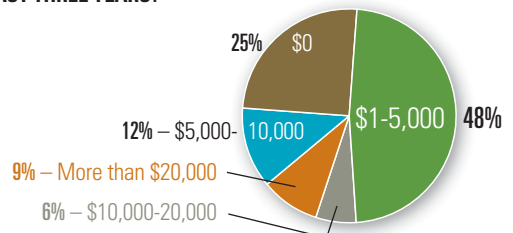
WHAT PERCENT OF STOLEN EQUIPMENT THAT WAS RECOVERED INCURRED DAMAGES?



WHAT WAS THE DOLLAR AMOUNT OF THE EQUIPMENT THAT WAS STOLEN FROM YOU DURING THE PAST THREE YEARS?



WHAT ADDITIONAL AMOUNT HAVE YOU SPENT REPLACING STOLEN EQUIPMENT DUE TO DAMAGE OR LOSS OVER THE LAST THREE YEARS?



Better security and lighting at storage facility

59%

DETECTING THIEVES

WHAT MEASURES HAVE YOU TAKEN TO AVOID OR DECREASE EQUIPMENT THEFT BY OUTSIDERS?

Better security on trucks and/or investing in enclosed trailers/trucks — 49%

Keep better records of equipment (PINs; serial numbers; make, model and year) — 38%

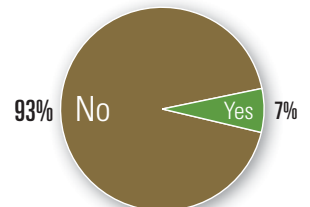
More tracking devices and labeling on equipment — 25%

Request more visits/patrols from local law enforcement agencies — 17%

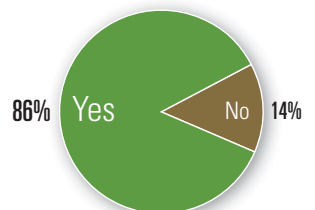
Remove components to prevent equipment operation — 14%



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continued from page 24

Center (NCIC). Of the 13,452 thefts of heavy equipment — the category that includes commercial mowers — only 2,428 were later recovered. Most of those units were ultimately recovered within 100 miles of where they were taken.

The five states with the most incidents of heavy-equipment theft, per the NCIC, are Texas, Florida, North Carolina, Georgia and South Carolina. Together, they account for 43% of total equipment theft.

Contributing to the low recovery rate were:

- › delays in discovering/reporting of theft;
- › inaccurate or non-existent owner records;
- › lack of pre-purchase screening of used equipment;
- › limited law enforcement resources dedicated to equipment investigations;
- › complexities in equipment numbering systems; and
- › limited, possibly inaccurate, equipment information in the law enforcement system.

“Opportunity” theft of the snatch-and-grab variety is more prevalent, but implementing and maintaining basic anti-theft measures more easily discourages (although rarely completely prevents) this type of pilferage.

WEB EXTRA

For more tips on securing your biggest pieces of equipment, visit www.landscapemanagement.net/securingbigtoys

RECORD-KEEPING TIPS

- ✔ Keep a record of the manufacturer, model number, year, product identification number (PIN) and purchase date for each piece of equipment.
- ✔ Record the serial numbers of equipment and major component parts.
- ✔ Label equipment with unique owner-applied numbers.
- ✔ Mark PIN and owner-applied numbers in multiple locations on your equipment.
- ✔ Paint your tools and equipment a distinctive color.
- ✔ Keep an accurate and updated inventory of your equipment.

“I would say 90% of thefts from landscapers are opportunity thefts, and 90% of them are by amateurs,” says James F. Martin, CIC, CRM, CRIS, vice president of liability claim for CNA Insurance Co.

Fighting back

Tool loss is a big financial cost and a major irritation to Greg Krause, Gary Krause Landscaping, Jacksonville, OR. He doesn't kid himself that the problem will disappear, so he

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discourages it by requiring his employees bring and provide their own basic tools (tape measures, hammers, etc.), and tagging his name and address on his company's tools. "You almost have to grind it off," he says of his identification markers. "If any of my tools turn up in a pawn shop, my name and address are there to see."

He maintains anything an owner can do that makes something harder to steal will reduce losses. "Thieves are lazy. That's why they're thieves," says Kraus.

But not all opportunity theft is as trivial as a missing pruner.

Lee Helmberger, owner of Lee's Lawn Service, Omaha, NE, is still incredulous over the sudden disappearance of his parked Ford F-250 and 16-ft. trailer several years ago from a street in downtown Omaha. It was hot-wired and whisked away while his landscape crew was on a lunch break. The truck, sans trailer and equipment, resurfaced 45 days later when police notified Helmberger to move it because it was illegally parked. He found the truck with its fenders crumpled and its signage scratched off "like someone had gone over it with a cheese grater," he recalls.

Helmberger, like Corley, was fortunate he had friends in the industry to lend him equipment so he could continue to provide services to clients until he was able to replace his vehicle and trailer. It takes a month or more to process an insurance claim for lost vehicles or gear, even when an owner provides clear documentation.

"If you're down for 30 to 45 days, you're going to lose a lot of your customers," says Helmberger who, while grateful for the friends who provided him loaner equipment, also learned how important it was to maintain good credit with vendors. "We had to get equipment rather quickly and our vendors were willing to give it to me and be reimbursed later when we got our insurance settlement."

Because he keeps good equipment records, including meticulously logging the serial numbers of individual units, Helmberger says his insurance com-



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EQUIPMENT THEFT

pany “was pretty good” about settling this claim.

To that point, CNA’s Martin advises landscape company owners not only to record serial numbers and keep equipment sales receipts, but also to maintain an up-to-date photographic records of all of their equipment and tools.

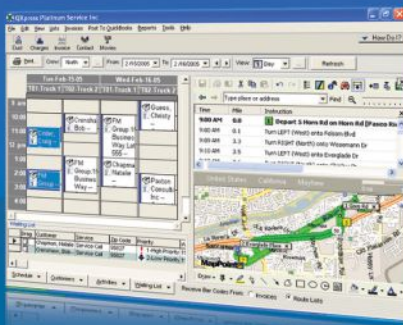
“Take pictures of your fully loaded trailer, because if you have to make a claim, you’re not going to remember every tool on that

Members of this The Grounds Guys crew transport their equipment from site to site in an enclosed trailer.



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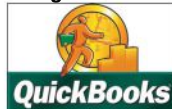
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trailer,” says Martin. “It also helps to prove what you’ve lost. Even open your toolbox and take a picture of everything in it. Let’s say you have a tool box of Snap-on tools; they’re pretty expensive to replace.”

While Martin, like other insurance professionals we interviewed, emphasizes the importance of adequately insuring your property, he also contends that it doesn’t relieve you of the responsibility of maintaining tight equipment security. Prevention is far less emotionally and financially painful than replacement.

Trailers and equipment used on job-sites are typically covered by an inland marine policy, also sometimes known as a “floater” policy. It’s a prudent investment, especially against the loss (theft, fire, hurricane, etc.) of any equipment that could damage your company’s ability to maintain customers.

Botson, of Botson Insurance Group, says owners have the choice of insuring their mowers and other major pieces of equipment at depreciated value or at replacement value. “We recommend replacement value,” he adds. “Let’s say you have a mower that you bought three years ago and you can sell it for \$5,000. If it gets stolen, and you have it scheduled for replacement rather than depreciated value, you can buy a new one once the claim is settled.”

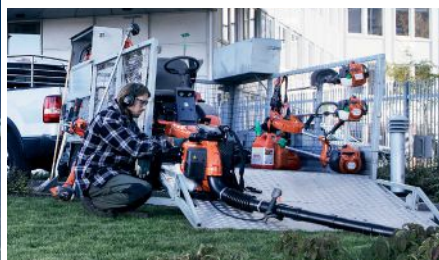
Martin also points out that there are many soft costs related to replacing what you’ve lost.

“For every dollar you get back in insurance for stolen items, you’re going to be spending two or three more dollars,” he explains.

And, in these ultra-competitive times where razor-thin margins are the rule, what small business can afford these types of losses? **LM**



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BEST PRACTICES

BRUCE WILSON

The author, of the Wilson-Oyler Group, is a 30-year industry veteran. Reach him at bwilson@questex.com.

Success is in the market mix

The current economic downturn has focused attention once again on the importance of market mix. For example, the public works sector has been hit particularly hard by price erosion. Many companies have had to cut prices dramatically to even be close on re-bid situations. Thus, it is not a good time to have public work as a significant part of your business mix. Other segments have also been hit to different degrees.

When selling new work, contractors tend to take whatever they can get — and all too often, they do not examine their market mix. This should be looked at annually, and a study should be done by segment as to the profitability of each segment to determine whether you have a healthy balance.

For example, many companies believe homeowners associations (HOAs) are not profitable, yet I work with many companies that do nothing *but* HOA work and have made top-tier profits. Some companies say the best market segment is comprised of high-end offices. My belief is a diversified client portfolio is best.

There are several reasons for this. If you concentrate most of your business in a single segment, you sooner or later will feel the brunt of hard

times for that segment. There have been several times in my career when the high-end office market became overbuilt, for example. When the recession hit, maintenance prices in that segment took a big hit. Apartments have gone through their cycles as well. Public work goes through outsourcing and self-performing cycles.

Another, less obvious problem with concentrating too much work in a single segment is that a company may inadvertently become too dependent on a single customer. I have seen this happen to companies when two or more property management companies that they had business with merged. Suddenly, they had 50% of their business with one customer. It's not a good feeling.

Mix and match

To me, a good market mix is to be in multiple market segments. There are some challenges in that their needs vary slightly, but not enough to be a barrier in my mind. I would prefer that no one segment be more than 50% of my entire portfolio of business.

It becomes somewhat of a challenge to get into some segments because clients want references of similar accounts. My experience is if you have good references overall, your price is competitive and you sell yourself well, you can overcome that rather easily with most prospective customers.

When looking at new segments of the market, consider the pros and cons of each type of work:

- ▶ Is there high or low potential for enhancement work?
- ▶ Does the customer — as in the case of public work — look primarily at low bids?
- ▶ How easy will it be to maintain long-term business relationships?
- ▶ How do the customer's needs line up with your own company culture, in terms of being able to meet the customer's expectations?

These are important questions to consider as you plan to diversify.

“To me, a good market mix is to be in multiple market segments. There are some challenges ... their needs vary slightly, but not enough to be a barrier in my mind. I would prefer no one segment be more than 50% of my portfolio of business.”