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Innovate … or wither away

Shayne Newman, Dave Zerfoss and Todd Pugh talk innovation at PLANET's Executive Forum.

PHOTO BY: NICOLE WISNIEWSKI

PLANET Executive Forum attendees learn how to make their businesses more relevant in the new economy.

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

Seventy-five percent of today's Standard & Poor 500 companies will disappear by 2020. That's 375 out of 500 companies that will go bankrupt, be acquired by another or just fail.

This according to *Creative Destruction: Why Companies That Are Built to Last Underperform the Market – And How to Successfully Transform Them*, by Richard Foster and Sarah Kaplan, a book referenced in the Professional Landcare Network's *Crystal Ball Report #30, Innovate or Die: How Green Industry Companies Will Thrive in the New Economy*.

Why will three out of four S&P 500 companies fail before 2020? Because they do not adapt to accelerating change, which will render their products and services obsolete.

In other words, they lack innovation.

This fact inspired the topic "Technology & Innovation" for PLANET's Executive Forum & Leadership Meeting Feb. 16-20 in Amelia Island, FL, where they debuted the new report (you can get your copy in the PLANET bookstore at http://bit.ly/h6Qfxg). "Innovation is the best way for many companies in the green industry to differentiate themselves, increase their profits and protect their futures," the association says.

One Executive Forum session featured a roundtable of Crystal Ball Subcommittee members Dave Zerfoss, The Zerfoss

continued on page 14

NEWS+VIEWS

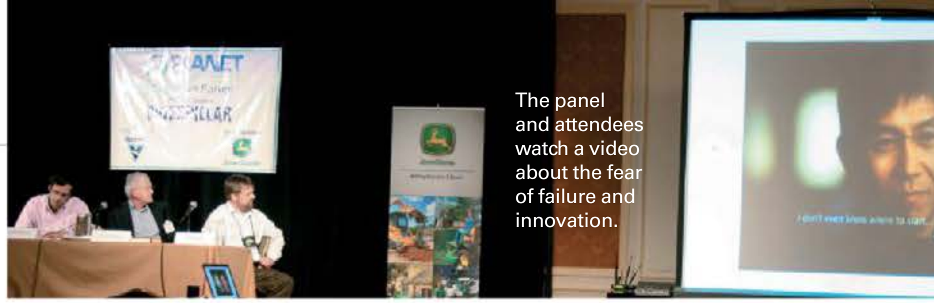
The panel and attendees watch a video about the fear of failure and innovation.

PHOTO BY: NICOLE WISNIEWSKI

continued from page 12

Group (previously with Husqvarna); Shayne Newman, owner of YardApes in New Milford, CT; Todd Pugh owner of Todd's Enviroscapes and Green Industry Innovators in Louisville, OH; and moderator Jim McCutcheon, owner of HighGrove Partners in Austell, GA.

The group shared their innovation secrets, inspiring discussion from the 113 attendees.

Pugh, for instance, used USDA Forest Service innovation i-Tree, a software suite designed to measure and quantify the benefits trees provide a property, with a client who manages hospital grounds. Pugh was able to help the hospital's management team transform its thinking about the cost of tree maintenance from being seen as an unwelcome expense to being a sound investment that adds measurable economic benefits to the hospital operation as well as to the surrounding community. "By switching the perception of 'tree maintenance' from a cost to a benefit, landscape management took on new importance, and even created a new marketing opportunity for the hospital," explained Greg Ina of The Davey Tree Expert Co., one of the partnering companies that helped create i-Tree (**itreetools.com**). This innovation and others are highlighted in the report.

Part of the process of being an innovative business comes from creating an innovative culture. "When an effective leader shares his purpose and direction, he creates energy and excitement," Zerfoss explained.

Newman agreed. "Encouraging employees and rewarding them for great ideas is much bigger than a paycheck," he said. "Creativity is just connecting things. If we can connect our ideas with customer needs, that's how we'll get innovative."

The whole process can be a little uncomfortable for the owner, Pugh points out. "When you take yourself out of your comfort zone and push yourself, it's a lonely place," he admits.

But "if we don't get comfortable being uncomfortable we won't innovate," Zerfoss added. "We have to move our people and ourselves past our comfort zones."

Is the process worth it? According to these innovators, it will ensure their landscape businesses don't end up on the failure list. As Newman says: "The only way to get ahead is to do something different than everyone else is doing."

WEB EXTRA

For more coverage of PLANET's Executive Forum, check out Landscape Management's April issue, as well as **facebook.com/Landscape-Management**, **twitter.com/LandscapeMgmt** and **landscapemanagement.blogspot.com**.

PROGRESS

Recession-proof your business

Landscape businesses experiencing numerous recessions have learned a thing or two about survival.

According to *U.S. News & World Report*, the best comparison to the most recent economic recession is the one from 1981-82. It lasted 16 months, had several quarters where the economy shrank 3% or more and saw unemployment rise as high as 10.8%.

The 2008-2009 recession was — if it is indeed over (nearly two-thirds of American believe the economy has yet to hit bottom, according to a *Wall Street Journal* poll taken in late 2010) — different from any other because of its depth and causes. "The first trigger was the drop in housing prices, which robbed many people of their primary access to capital," explained Douglas A. McIntyre in a 24/7 Wall St. article appearing in the Yahoo Finance news section. "As that access disappeared, so did the availability of credit. Consumer buying power evaporated and businesses cut inventory and production. Joblessness rose. Finally, consumer confidence plunged."

The latest "downturn was so great that in some months more than 500,000 people lost jobs," he continued. "The unemployment rolls are now more than 8 million, and over 1.4 million people have been out of work for over 99 weeks."

The statistics speak volumes. But what does the landscape industry think? Was the recent recession the worst they've ever experienced, particularly compared to the 1981-81 recession? We revisited 1982 issues of *Weeds, Trees & Turf* (*Landscape Management* today) to find out.


WT&T OUTLOOK
Survey shows where we stand economically

Bruce Shank shares data on the 1981-82 recession.

In January 1982, Bruce Shank, then executive editor of *Weeds, Trees & Turf*, reported 1981 as a growth year for the landscape industry. But a survey he conducted revealed the challenges landscape contractors were facing and why they expected less growth in 1982.

› Nearly two-thirds of contractors delayed purchasing equipment in 1981 due to interest rates. The same number raised prices to cover higher interest costs.

› Half of respondents cut credit use to buy equipment and cut credit terms allowed customers.

› 40% of landscape contractors avoided using credit to finance expansions.

› Half of landscape contractors reduced their number of employees.

› More than 40% of landscape contractors expanded into new types of landscape services to counter rising costs (mainly design and lawn care).

› 33% of landscape contractors moderated growth goals, tightened routing and used smaller plant material when possible to cut operating costs.

Comparing the research to today, contractors are experiencing some pretty tough times — just on a different scale. According to 2010 *Landscape Management* research, a prolonged recession was listed as the top concern for landscape contractors this year, and 27% of contractors reported the industry as down (14% of which said it was down significantly), while another 26% called it flat. Seventy-five percent of business owners think another recession is likely before full recovery, according to Discover's Small Business Watch. When it comes to employee pay, only 40% of contractors gave raises to hourly/seasonally workers, 36% gave them to salaried employees and 31% gave them to owners/management team members.

For further comparison we asked Bruce Wilson, *Landscape Management* columnist and consultant with the Wilson-Oyler Group who experienced both recessions, for some more guidance.

"This one is much worse it seems," he says of the most recent recession compared to 1981-82. "It has been longer and even in somewhat of a recovery, construction is still very weak. Housing has been hit particularly hard. And I believe maintenance prices were hit much harder in this recession."

Want to be better prepared for future recessions? Wilson noticed a trend. "The companies doing the best in this recession are companies that took cost cutting seriously and with a sense of urgency," he explains. "Several people told me they made cuts in overhead they should have made a long time ago."

Ron has been in the Green Industry for 27 years. Contact him via e-mail at rhall@questex.com.

RON HALL EDITOR-AT-LARGE

Our changing landscapes?

Great Lakes winters can be long, cold and snowy. This one has been a doozy. So those of us living and working here look forward to escaping for a week or two mid-winter. We head south, way south, counting on the sight of green grass and colorful early spring bloomers to restore our dulled, salt-rusted spirits.

Florida is often our destination of choice. We crave the respite of sunshine and softly swaying palms as avidly as a starving man craves the prospect of a Ryan's buffet.

But even after arriving and breathing in warm coastal breezes, many of us in the landscape business find it impossible to leave our professions behind. The Green Industry surrounds us regardless of where we live or travel. It's a fact that I discovered again during a recent visit to southwest Florida.

Walking the streets in my son's Ft. Myers neighborhood, I was struck by the diversity of residential landscapes there. Precisely trimmed ornamentals and the manicured, uniformly green and weed-free lawns of some of the properties strongly hinted at professional care. Most other properties in the same neighborhood were nice enough — St. Augustinegrass lawns, live oaks, pines, palms, citrus and other typically Florida foliage. These were obviously irrigated and being maintained by their owners.

Several properties, however, stuck out in stark contrast to the others. They had no turfgrass, at least none visible from the street. While neighbors or a passerby might view them as untidy, the residents likely see them as attractive, easy to maintain and environmentally responsible.

These properties, I surmised, were representative of the low-input (reduced mowing, irrigation and chemical use) landscapes advocated by environmental organizations and some governmental agencies. For example, the University of Florida's Institute of Food and Agricultural Sciences offers a Florida-friendly landscaping guide (**fyn.ifas.ufl.edu**) for homeowners and related best management practices (BMPs) for professionals.

Which type of landscape do you prefer?

(A) A professionally maintained property or
(B) A landscape of native and adapted plants requiring fewer inputs?

PHOTOS BY: RON HALL

These types of landscapes, dominated by stones and drought-tolerant native and regionally adapted plants rather than maintained turfgrass, are becoming the rule and not the exception in the arid U.S. Southwest. Their popularity in Florida (at least judging from the single neighborhood that I walked) doesn't appear that strong yet. This is probably due to the large number of lawn-loving Yanks that have migrated or live there seasonally. Their tastes in landscapes could change, of course.

Regulations directed at the use of potable water for irrigation and fertilizer use on residential properties is growing in Florida. In the end, though, cost could be as big a factor — and not just in the Sunshine State. If the price of water, fuel, chemicals or professional services rises substantially, low-maintenance, low-input landscapes will certainly become more popular.

DOLLARS

How do you raise pay rates when you can't even raise prices? Experts share strategies in our exclusive

WAGE & BENEFITS REPORT.

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

BRIAN GOLEMBIEWSKI sometimes feels like he's trapped in a vice grip.

On one side, the president of $2.6 million, Tempe, AZ-based Paramount Landscape, must push his employees to do quality work and boost job efficiency, maintaining customer retention in the midst of stalled service pricing.

On the other side, he can't reward his employees with a raise because margins are razor thin despite their efforts. It's been two years since any of his workers have received one, unless they were promoted.

In the middle, he feels at times someone is twisting the two iron bars closer and closer together, squeezing him dry of a solution to this dilemma.

To gain some strength — and space — back, he stays focused. He has processes and systems in place to measure performance and quality. And he educates his team constantly, explaining why he can't afford raises.

But, he says, "keeping employees doing good work when they aren't happy because they've had no raise — that's a challenge."

Golembiewski isn't alone in his struggle.

Tadd Cole froze pay rates last year "because we were down 10% of sales from the year before with lower profit margins," says the president of Asheville, N.C.-based Highland Heritage Landscapes.

As a result of lost market share in most business segments due to a lack of new construction, the foreclosure situation and its affect on HOA work, and cut backs in both commercial and government contract services as well as increased competition for the work that is available, Orlando's Carol King Landscape Maintenance has also had to be "very cautious with pay rates, raises and bonuses," says Vice President Bruce Bachand. "In most positions, rates have been frozen and any decreases have been in the 5% or less range."

And for Ron Skover, owner of Greenlawn, LLC in North Street, MI, "this will be the third year we've basically had a salary freeze, but I'm hoping to change that this year."

According to PayScale's 2010 review, wage levels by the end of 2010 were no higher than they were nearly three years ago (rising only 0.3%), although the cost of goods has increased by 4.5% in the same period. In fact, "2010 was a year when the economy really did not move up or down, rather it moved sideways," says Al Lee, director of quantitative analysis at PayScale. "Mirroring the stubbornly high unemployment, pay was virtually unchanged in 2010, down 0.1% nationally vs. the year before. While better than the declining pay of 2009, it was a long way from the 'normal' annual increases of 3% or more before the recession."

The outlook for this year, accord-

PHOTO BY: ISTOCK INTERNATIONAL INC.

& sense

ing to The Conference Board annual survey, is that employers will set aside an average budget of no more than 3% for increases.

For the landscaping field specifically, in 2009, the Bureau of Labor Statistics reported an average wage for landscaping and groundskeeping workers at $12.18 and a median (or mid-point) at $11.29. Compared to PayScale's $10.19 median rate for the same position in 2011, that's a 0.97% decrease. *Landscape Management* Wage & Benefits Report research shows only 40% of employers gave 2011 raises to hourly/seasonal workers, 36% gave them to salaried employees and only 31% of owners/management team members were awarded 2011 raises.

The situation is tough but not insurmountable.

Using the research and intelligence we've gathered for this Wage & Benefits Report, *Landscape Management* can help you come up with a solid plan to overcome your labor woes.

We can't give your employees raises. We can't make your customers pay a higher price. We can't determine your benefits and health care strategy in the midst of new and changing legislation. (Even though we'd like to.) But we can help relieve some pressure from that vice by providing you with the information you need to help you better make tough employee decisions.

›› ››

Pay today

Position	Nat'l hourly rate	Nat'l salary
Landscaping or groundskeeping worker	$10.22	n/a
Landscaper	$11.84	n/a
Grounds maintenance foreman	$14.10	n/a
Landscape supervisor	$14.44	$37,145
Administrative/office manager	$14.70	$39,906
Landscape designer	$16.93	$39,328
Landscape architect	$19.86	$48,640
Operations manager	n/a	$42,640
Account manager	n/a	$44,368
General manager	n/a	$54,164

Source: PayScale, February 2011; all numbers are median or mid-point, not average

POSITION

Landscaping Worker

OVERVIEW
Nat'l hourly rate: $8.95-$12.42
Overtime: $12.75-$19.74
Bonus: $103.48-$1,179
Total pay: $19,999-$31,043

HOURLY RATES BY STATE
Georgia: $7.75-$10.11
Pennsylvania: $8.17-$10.28
Ohio: $8.22-$12.77
New York: $8.42-$10.04
Washington: $9.50-$14.87
California: $9.50-$18.50*
Texas: $9.96-$13.16
Massachusetts: $11.00-$17.50

HOURLY RATES BY EXPERIENCE
Less than 1 year: $7.76-$10.14
1-4 years: $8.69-$11.62
5-9 years: $9.72-$14.25
10-19 years: $10.24-$15.33

POSITION

Grounds Maintenance Foreman

OVERVIEW
Nat'l hourly rate: $11.97-16.88
Overtime: $16.65-$24.39
Bonus: $253.19-$1,458
Total pay: $27,616-$41,083

HOURLY RATES BY STATE
Florida: $10.84-$15.42
Texas: $10.93-$17.74
Michigan: $11.40-$15.59
North Carolina: $11.68-$13.80
Ohio: $12.22-$17.33
Pennsylvania: $12.35-$19.21
Massachusetts: $14.89-$20.00

HOURLY RATES BY EXPERIENCE
1-4 years: $10.03-$14.12
5-9 years: $12.43-$16.52
10-19 years: $13.20-$17.97
More than 20 years: $14.42-$20.95

POSITION

Account Manager

OVERVIEW
Nat'l salary: $38,155-$59,512
Bonus: $1,238-$8,799
Profit sharing: $1,017-$4,988
Commission: $5019-$24,100
Total pay: $38,380-$63,840

SALARIES BY STATE
Florida: $34,408-$47,055
Georgia: $36,176-$58,717
Texas: $37,425-$56,586
Illinois: $38,716-$58,858
Massachusetts: $40,676-58,800
New York: $41,540-$67,193
California: $42,179-$66,395

SALARIES BY EXPERIENCE
Less than 1 year: $29,892-$41,158
1-4 years: $35,283-$50,577
5-9 years: $41,690-$62,010
10-19 years: $44,914-71,840
20 years or more: $46,236-$76,890

POSITION

Landscape Contractor

OVERVIEW
Nat'l salary: $36,720-$73,407
Bonus: $850-$9,887
Profit sharing: $2,500-$40,000
Commission: $509-$19,442
Total pay: $33,529-$68,092

SALARIES BY STATE
North Carolina: $39,305-$101,736
Illinois: $45,000-$81,951
California: $51,500-$92,500

SALARIES BY EXPERIENCE
1-4 years: $37,000-$57,519
5-9 years: $34,583-$50,868
10-19 years: $44,748-$81,748
20 years or more: $44,219-$77,425

Source: PayScale, February 2011
**Source: PayScale, March 2011*

ILLUSTRATIONS BY: ISTOCK INTERNATIONAL INC.