

costs and accurately price the work?

Have an income statement that separates total company performance into the various profit centers with which you conduct business. Furthermore, break down all financial information by month and compare that performance to the budget.

Without a solid reporting system, you're taking far too much risk by not knowing where you stand financially. This industry is risky, and you make it more so by not having the correct information to guide you.

5 No budgets

Fewer than 10 percent of the businesses in the U.S. prepare a budget, according to *Inc.* magazine. A budget means a working budget—one you think through methodically, starting with how much net profit is needed to support cash flow and identifying how you'll spend money in each overhead account so you know how much gross margin you must generate to support your standard of living. Once the gross margin is established, analyze the backlog to determine the margin you're carrying into the year. Then forecast how much new business you must sell, and at what price, to create gross margin coverage for overhead and profit needs. Every month, track how you're performing against budget, and make adjustments to your plan to reflect actual performance (rolling budget). A budget is the road map for your business needed to make smart decisions.

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One of the principle reasons to categorize your income statement into profit centers representing various types of work is pricing. It makes no sense to price all types of work the same. Breaking your income statement into profit centers will allow you to create a relationship of the direct costs necessary to perform the work and overhead required to support it. Once done, depending on the type of work,

a relationship between overhead and direct costs can be established such that you can create the appropriate markups to price the work correctly. Without correct pricing, you run the risk of pricing low-risk work too high and not getting it and pricing difficult work too low and not realizing it.

7 No long-range planning

Creating a vision of where you want the company to be in three to five years is a constant in highly successful companies. The three- to five-year plan starts by understanding what you do best then strategizing how you can capitalize on that skill set to maximize the bottom line.

A long-range plan, which isn't a financial plan, comprises a series of definitions of how you see the business in the future. For example:

- › What markets will you serve?
- › What types of work will you perform?
- › Where will you find your labor pool?
- › What facilities and equipment will you require?
- › What will be the capital required to fund those requirements?
- › What organizational growth do you see?
- › What tracking systems do you require?
- › Will you be expanding geographically?

It's brainstorming at its best, but here's the catch—on any one of those issues, we'll likely be spending money to achieve our long-term goals. Be proactive to maximize efficiency and the return on investment.

8 Lack of labor control

We're in the service business, which means we sell labor, but it's amazing how few of us control our labor force. Consider the following:

- › Do you have proven labor standards by which you estimate every job?

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- › Do you prepare a labor budget for every job you bid?
- › Do you measure the hours and tasks completed each day?
- › Does the labor budget include the support activities such as load time, travel, clean-up, maintenance of completed operations and a punch list?
- › Does the crew leader have a definitive understanding of what needs to be accomplished every day along with the hours budget to accomplish those tasks?
- › Do you track weekly billable time against total hours paid?
- › Do you know the composite wage rate of your crews?
- › Do you track the amount of overtime hours paid against total hours paid?

If the answer to any of these questions is “I don’t know,” you can control your labor better. Do that by measuring it. William Edwards Deming, an American statistician, said it best: “If you can’t track it, you can’t control it.”

9 No control of overtime

Is overtime a good thing? As far as your employees are concerned, it’s most appreciated. But is it good

for the company? Do you control it or leave it up to the employees? Many consider it a necessary evil. But overtime is as much a controlled line item in your financials as advertising. Accept that overtime is a management decision, not an employee decision. To control it, appreciate there’s good and bad overtime. Good overtime includes:

- › Setting an annual budget for overtime and because you do, that cost for overtime is embedded in your pricing strategies and is captured over all jobs.
- › Billing the customer at overtime rates when you work overtime.
- › Billing certain skill sets—irrigation and lawn care techs, for example—at a high rate. Whenever the hourly billing rate for an employee is three times his hourly cost, you can work as much overtime as you can bill and you’ll be fine financially.

All other overtime is bad because it’s neither embedded in your pricing nor billed for separately, which means it’s a drain on profitability.

10 No ownership of benchmarks

Most managers assume people under their tutelage know what’s important and will do what they must to achieve excellence. I beg to differ. Employees are willing warriors and will do your bidding. If you don’t set expectations, they’ll interpret what they think you meant to say. Here’s an exercise: List what you believe defines an excellently run company. Do you measure those things? And if you do, have you assigned ownership of those items to someone on your team? Do you:

- › measure leads coming in;
- › know how many leads to chase on average to sign a contract;
- › track job efficiencies and profitability, as well as overtime;
- › know the revenue per hour you earn on every job;
- › know by profit center if you’re hitting sales and margin goals, as well as whether you’re making a profit in each;
- › budget; and
- › reforecast the budget every month following the publication of financial statements?

If you track these items, is each owned by a key employee, and do you hold that person accountable for the performance of each? If not, there’s a huge opportunity for your company. Tracking, creating measurement benchmarks, assigning ownership and holding people accountable at all levels will propel your company to levels of efficiency and profitability never seen before. **LM**

Ross is a Green Industry consultant with 3PG Consulting. Contact him at frank@3PGConsulting.com.

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THE BENCHMARK

KEVIN KEHOE | The author is owner-manager of JPC Consulting. Reach him at editor@thebenchmarkmedia.net.

The power of pricing

There is still a lot of gnashing of teeth about market pricing. I showed a chart at a recent Professional Land-care Network (PLANET) event that reported moving prices in different regions of the country and what the average

Some explanation is in order, however, to explain pricing differentials. Table 2 shows the contractors in two geographic markets can at a very different price for the same service and make the same profit percentage. In this very example, the respective contractors each made



PROFITING FROM DESIGN

JODY SHILAN | Shilan is editor of fromdesign2build.com. Contact him at

TABLE 1: MOVING RATE VS. GROSS MARGINS

AMR	51%
\$5	49%
\$5	47%
\$5	45%
\$5	43%
\$5	41%
\$5	39%

This table shows what a contractor's average gross margin is (20% profit) at a given average moving rate (AMR)

The unbiddable master plan

This might be a silly question, but is there anything that you can do to stop your client from taking your design, making copies of it and then shopping it around to your competitors to try and get a lower price? Any advice would be greatly appreciated.

— Danny Wartogaj, Dreamscapes LLC, St. Paul, MN

The short answer, Danny, is yes! However, it is my opinion that if clients pay you for a design, they own the plan and can do whatever they want with it. You've been paid for your design services.

With that said, there are things that you can do to provide professional design services and still make it difficult for a client to shop your plan.

Unlike the alternative process, where homeowners hire an independent landscape designer or landscaper,

the home One of natural office than design environment of the details, site bids, layout plan, plant, and lighting of If they can be an notes, exp material f This s do not, all the draws detailed including



BEST PRACTICES

BRUCE WILSON | The author, of the Wilson-Dwyer Group, is a 30-year industry veteran. Reach him at editor@thebenchmarkmedia.net.

It's good if your head's in the clouds

You cannot do today's business with yesterday's tools or yesterday's thinking.

If the last few years have not convinced you that landscape maintenance services are a commodity and differentiated primarily by price, you are in the minority. If in that same period of time, you have not reconsidered the tools you use to do business, you also are in the minority and it's time to catch up.

One way the business of our industry can reinvent itself is to embrace new technologies that are changing the way we work.

As mobile computing and Internet-based technology knock down walls, the cloud has replaced the cubicle. The dynamics of working, meeting, selling and interacting online have created new behaviors and job descriptions as well as new business models and expectations for performance and success.

The problem is there is a staggering amount of new tools, gadgets, applications, programs and downloadable must-haves available every day, trying to figure out which ones are best and how they work in unison can be overwhelming.

Do not do it yourself. Bring in the skill to make it happen. Even if you are cutting overhead, hire a professional who can tie it together and assist you and your team with identifying and integrating the right technologies to run your business and ensure they work together seamlessly.

In my consulting practice, I see some companies

as if nothing is working the way it should. A recent study by IBM reported that over the next three years, the number of businesses that will



THE BENCHMARK

JEFF HARKNESS | The author is owner-manager of JPC Consulting. Reach him at jph@jpcconsulting.com.

Considering an exit?

Building profits and increasing the value of your company in the current environment is a challenge. Does it seem like today's economic climate and political agenda are working against you? Health care mandates, expiring tax cuts, immigration reform, high fuel costs and little change in the housing market—shall I go on? If you're considering an exit in the next six to 18 months, make sure you have a plan to quantify

deal is unique, understand that retained assets or liabilities can be negotiated just like your multiple or adjusted EBITDA. Cash, timing of a closing date, working capital requirements or the payoff of long-term or short-term debt all contribute to your net purchase price.

Tax consequences Most deals in the Green Industry typically involve purchasing assets rather than stock. Liability risk



THE BENCHMARK

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FRANK ROSS

The 90-day scrub

ent planner is the property. If you're not the scrub, you are that much smarter than you were when the budget was created however many months ago. Put those smarts down on paper.

It is not so hard, either. For example, if just closed June, we are looking at our updated rolling budget numbers and it is the second week of July.

If we don't know how July is performing when we are halfway through the month, something's wrong. So, update July's numbers. We also know what the

Meet the Columnists

Stop by booth #3018 at the GIE+Expo to say hello to LM's expert contributors.

Bruce Wilson

Best Practices

The former president of Environmental Care and vice president of the parent company, Valley Crest Cos., Bruce Wilson has held numerous leadership positions in the landscape industry. Under his guidance, Environmental Care grew from a single-service California operation to the first \$100 million multi-service landscape maintenance company in the country.



Jody Shilan

Profiting from Design

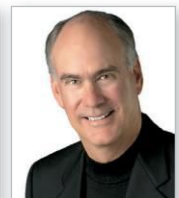
As a former design/build contractor, Jody Shilan has designed, sold and managed millions of dollars worth of highly profitable installation work. He's now an independent designer, consultant and executive director of the New Jersey Landscape Contractors Association. He also operates fromdesign2build.com.



Kevin Kehoe, Jeff Harkness and Frank Ross

The Benchmark

Kevin Kehoe has worked with more than 150 companies in the services industry, helping them increase profits, grow revenues, acquire companies and exit for retirement. Jeff Harkness specializes in growth and exit strategy planning and has spent the last 10 years working exclusively with the owners of contracting and service firms. Frank Ross' in-depth work on several national Green Industry financial studies and 35 years of hands-on experience with the most successful companies in the country give him unparalleled knowledge of what Green Industry firms do to become profitable and what steps they must take to make money.



Landscape Management

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Our annual round-up of Green Industry supplier information

Andrew K. Mittag
Senior Vice President,
Agrium and President,
Agrium Advanced
Technologies

Mission Statement

Agrium Advanced Technologies is the leading manufacturer and marketer of slow- and controlled-release fertilizers and micronutrients in the agricultural, professional turfgrass, lawn care, horticulture and consumer lawn/garden markets. We are a single, convenient source of a broad range of innovative and highly effective fertilizer technologies.

Dependability, environmental responsibility and cost efficiency are hallmarks of those technologies. They make professional turfgrass managers and lawncare operators more productive, while at the same time enhancing environmental stewardship.

We deliver innovative, premium quality products with unsurpassed customer service. We achieve this through the expertise of our employees, strong customer relationships and our passion for developing new technologies. Polymer-coated plant protection products, for example, are some of the newest technologies we're bringing to our turf and ornamental customers.

Agrium Advanced Technologies
2915 Rocky Mountain Ave.
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Agrium Advanced Technologies

Relying on proprietary, high-tech manufacturing processes and top-quality ingredients, Agrium Advanced Technologies has been able to establish a family of innovative products respected for their dependable agronomic performance, as well as their economic and environmental advantages.

Our most advanced fertilizer technology—predictable, consistent DURATION CR® Controlled-Release Fertilizer—makes it easier to maintain healthy turf while reducing maintenance costs. With DURATION CR, nitrogen is released gradually throughout a plant's growth cycle, resulting in precise feeding that lasts for weeks, months or up to an entire season.

The key to the steady release is an advanced generation polymer coating technology that gradually meters nutrients for as long as needed to meet the plant's needs. Thanks to DURATION CR's enhanced efficiency,

you can use up to 40% less nitrogen per year, which is good for the environment and your bottom line.

DURATION CR delivers:

- ▶ Minimized growth flushes
- ▶ Lower potential for leaching even under the wettest conditions
- ▶ Reduced applications for time and money savings
- ▶ Healthier turf
- ▶ Blends and sizes for every application and budget

There are a variety of fertilizer brands that are Driven by Duration. The Driven by Duration icon on the fertilizer bag is your assurance that it contains DURATION CR and will deliver as pledged. While other coated fertilizers are available, their coatings have been known to crack or break down prematurely, which means they don't perform much better than uncoated fertilizers.



There's only one Spread it & Forget it™

For lawns, parks and professional turf, *Spread it & Forget it™* is the ultimate blend that's Driven by Duration. Depending on your climate, *Spread it & Forget it* can feed turf for up to six months or more with just one application. Just one application keeps turf lush, green and healthy for a full growing season. In some cases it's been confirmed to help municipalities meet shrinking maintenance budgets without sacrificing upkeep of green spaces and sports fields, and increase LCO customer satisfaction and crew productivity. It simply helps accomplish more with less: less energy, less nitrogen and less environmental impact.



Paul Syracuse
General Manager

Mission Statement

For more than 67 years, Buffalo Turbine has manufactured high-velocity, high-powered turbine-style blowers for spraying and debris blowing that have been proven to save time, labor and money.

Buffalo Turbine Debris Blowers



Cyclone Squared "Twin Turbine" Debris Blower – the most powerful blower available



Cyclone 8000 Debris Blower – the most cost-effective turbine-style blower available

Buffalo Turbine, utilizing turbine blower technology, provides the most powerful debris blowers available worldwide since 1945. Buffalo Turbine Debris Blowers are the blowers of choice for landscapers, sports turf managers, golf course superintendents, parks, airports and municipalities worldwide.

Available in diesel, PTO, hydraulic, skidsteer mount, and four different gas engine models all MADE IN THE USA. Buffalo Turbine offers more than 15 models of debris blowers and sprayers that will allow any size organization, big or small, the ability to afford the time and labor saving

benefits of a Buffalo Turbine.

Utilizing state-of-the-art engineering and high-quality components, we have designed blowers for the U.S. military to help find and destroy roadside bombs in Iraq and Afghanistan, and developed the official blower of the IHRA and the Preferred Track Blower of the NHRA. Buffalo Turbine Debris Blowers have allowed landscaping companies around the world to save time and labor while increasing profitability.

Major Product Lines:

High-Powered Debris Blowers and Sprayers available in Gas, Diesel, Hydraulic, Skid Steer Mount, PTO and Electric

Manufacturing Facility:

Springville, N.Y.



Buffalo Turbine Debris Blowers
180 Zoar Valley Road
Springville, NY 14141

Phone: 716-592-2700
Fax: 716-592-2460
Website:
www.buffaloturbine.com
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Cat® Building and Construction Products

For more than 85 years, Caterpillar Inc. has been making sustainable progress possible and driving positive change on every continent. With 2011 sales and revenues of \$60.1 billion, Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives.

Cat Building and Construction Products offers advanced machinery and accessories that reduce customer costs and increase work efficiency for landscaping professionals. We are backed by the Cat® Dealer network, with 1,600 locations, providing unmatched support in the industry. Our company is dedicated to supplying our customers with financial, rental and training services to ensure they get the most out of their Cat machines.

Our landscaping products include compact track loaders, skid steer loaders, mini hydraulic excavators, compact wheel loaders, multi-terrain loaders and backhoe loaders. These Cat products have been specifically crafted to tackle all landscaping jobs including design and build, irrigation, soil preparation, sod installation, tree installation and nursery, and snow and ice management. These machines

can be individualized with a wide variety of Cat Work Tool attachments and design options for increased versatility and productivity.

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The 44 available Cat Work Tool attachments tailor Cat machines to the specific requirements of a customer's working needs. Cat Work Tool attachments enhance the productivity and utility of Cat machines, equipping them for a wide range of tasks and operating requirements and providing total system solutions for any job application.

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Cat machines can be easily paired with snow blowers, angle blades or brooms to create the ideal winter workhorse for snow and ice removal. For residential or commercial landscapers, using the same machines in summer to remove snow in the winter means they can keep their crews working year-round to maximize productivity and profits.

Equipment Rental

The local Cat dealer will design a solution to help the customer's business grow while managing risk and controlling costs. Renting from the global Cat dealer network combines the



benefit of a large equipment inventory with an exceptional level of skilled support. Whether our customers need additional equipment for the busy season, a specialized Work Tool attachment or jobsite-specific tools and supplies, Cat rentals are a cost-efficient solution.

Financial Services

Cat Financial supports customers with total financial solutions through complementary products and services. We are uniquely structured to support the distinctive needs of customers financing Cat equipment. Cat Insurance provides insurance and risk management products and services that help Caterpillar, its dealers, their customers and original equipment manufacturers manage their business risks.

Safety Services

With our operator training programs and safety e-learning, we help elevate operators to higher proficiency levels to increase efficiency. Video demonstrations and multi-language safety manuals provide information and tips on how to operate the equipment properly while avoiding unnecessary wear and tear.

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ClearSpan Fabric Structures

ClearSpan Fabric Structures is the industry-leading manufacturer of tension fabric buildings, offering American-made structures with in-house engineering, manufacturing, financing and installation. ClearSpan Hercules Truss Arch Buildings are the ideal design-build solution for warehousing, materials and equipment storage, sand and salt storage and more.

Hercules Truss Arch Buildings feature abundant



to the look of our landscape supply business. It also visually tells our customers we are serious about maintaining a quality product by properly storing it.”

Every Hercules Truss Arch Building is custom-engineered to fit the requirements of the specific location such as snow load or foundation type and is constructed in conformance with the International Building Code. With minimal foundation requirements, the structures can be permanent or temporary, and are easy to relocate as needs change. Structures can be built to any length and up to 300' wide.

For more information on ClearSpan Fabric Structures, visit www.ClearSpan.com/ADLM or call 1.866.643.1010 to speak with a ClearSpan specialist.

natural light, decreasing the need for artificial lighting and reducing energy costs. With no internal support posts and high clearances, these buildings boast spacious interiors perfect for maneuvering heavy equipment, including forklifts, dump trucks, skid loaders, conveyors and other machinery inside the structure. Constructed from USA-made, triple-galvanized structural

steel, they hold up strong in corrosive environments and feature a 15-year warranty.

For green industry and landscaping professionals, Hercules Truss Arch Buildings are becoming increasingly popular for a variety of needs, from sand and salt storage to equipment storage. Says Dave Bonk, owner of Bonk Brothers Supplies, Inc., “The building is visually attractive and adds



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TANK SZ zero-turn riding mower with four-wheel steering and steering wheel control.

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Cub Cadet

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Toll-Free Customer Service
Number: 1-800-965-4282
Website: www.cubcadet.com

Major Product Lines:

Four-wheel-steer, zero-turn riders; lap bar zero-turn riders; utility vehicles; lawn and garden tractors, lithium ion- and gasoline-powered handheld and chore products; snow throwers and more.

Manufacturing Facilities:

Cub Cadet is a global company based in Valley City, Ohio, U.S.A., and operates U.S. manufacturing facilities in Streetsboro and Willard, Ohio; Tupelo, Miss.; and Martin, Tenn.