**QUICK TIP**

**The total-cost-of-ownership model concludes it's time to dispose of a piece of equipment when the expense of an asset is greater than the return.**

ment is overused or underused or if maintenance and repair costs outpace the income from jobs.

- The operator will struggle financially if compensation is based on job cost containment.
- Customers likely will be unaware of the company's inability to reach its goals, but they'll notice the higher bid and cost numbers in an attempt to balance goals better. Customers might not vocalize their frustration, then switch to a competitor that can meet its goals without higher prices.

After an analysis, you might determine your fleet doesn't match your needs for the upcoming business year. You might therefore decide that it's time to make changes. That means disposing of a portion of your fleet while paying close attention to the total cost of ownership (TCO) and fair market value (FMV) to recoup as much of your financial losses as you possibly can.

TCO consists of 1). a systematic accounting of all costs, direct and indirect, relating to an investment decision or acquisition, and 2). a model for managing an asset using data to analyze and establish best practices. The TCO model concludes it's time to dispose of a piece of equipment when the expense of an asset is greater than the return.

Effective disposition is based on FMV, which is an estimate of the external market value of an asset based on what a knowledgeable, willing and unpressured buyer would likely pay a knowledgeable, willing and unpressured seller in the open market. FMV differs from the intrinsic value one might place on the same asset based on his preferences, biases or extenuating circumstances.

By closely analyzing your fleet you will take the guesswork out of this far-reaching portion of your plan. Inspect your fleet's age and maintenance costs, study them in relation to your jobs, and look closely at each job's costs in relation to your fleet. The data will paint a clear picture of your year, taking you one step closer to a confident and easy business planning process. LM

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HOW-TO

# Better manage your time

BY PHIL HARWOOD

Many business owners, executives and managers struggle to manage their time well. Despite their best efforts, they're unable to stay on top of everything coming their way. Some even have trouble deciding what to do, what not to do and when to do it.

Most busy people have tried various time management or organizational systems. Some have given up because of the complexity of these systems or the weight of the burden they place on a person. A good time management system is simple, easy to use and results in less stress and anxiety.

Busy people who have many responsibilities are prone to becoming overwhelmed by worrying about everything in their lives. They can't concentrate and be productive because of the noise in their heads, constantly reminding them about all the things they need to do.

Albert Einstein said, "A happy man is too satisfied with the present to dwell too much on the future." Notice he doesn't say we shouldn't think about the future or plan for it because we need to live our lives. When the burdens of tomorrow overwhelm you so much that you can't focus on what you need to accomplish, you can become paralyzed, confused and depressed.

Jesus said, "Do not worry about your life, what you will eat; or about your body, what you will wear. Life is more than food, and the body more than clothes." An effective time management system will reduce your tendency to worry about things you shouldn't.

In the mid-1990s, I was introduced to a time management system outlined in the book "Getting Things Done: The Art of Stress-Free Productivity" by David Allen. Before this, I was dutifully using Franklin Planner tools with limited success.

For the first time, I could envision a comprehensive system for organizing and keeping control of my personal and professional life, using a simple, easy-to-understand methodology. I embraced the system and began to implement it immediately. (See "Web Extra" at the top of page 33.) As you'll see, the system is simple; the entire system diagram fits on one page. Being easy to understand allows easier implementation and use.

The beginning point of the "Getting Things Done" system is with our *stuff*—everything in our lives we need or want to deal with. Stuff comes to us differently. We receive phone calls, emails, mail, memos, packages, text messages, Facebook messages and LinkedIn messages. Additionally, we have reoccurring and one-time tasks to accomplish. We have personal and business stuff. We also have stuff we should be doing that isn't written down or doesn't appear in our inbox. We want to:

- spend more time with our children, parents and neighbors;
- volunteer on a committee;
- vacation in a special place; and
- accomplish everything on our bucket list.

All of our stuff needs to be captured and entered into a system, which seems like a huge undertaking but isn't. Once committed to a system, you capture stuff and enter it constantly. In a relatively short time, all the stuff will be dealt with.

The beauty of the system is it helps capture and organize stuff and enables us to not waste time on stuff we shouldn't be wasting time on. Without an effective time management system, it's too easy to waste precious time and energy.

Much of our stuff doesn't require action: e-newsletters, advertisements, catalogs, etc. When stuff isn't actionable, we have three options:

1. eliminate it immediately;
2. file it away for review at a later date; or
3. take action when no action is required.

We become distracted and stop what we're doing. We drift off mentally and lose focus because we don't have a clear sense of our priorities

**QUICK TIP**

**All of our stuff needs to be captured and entered into a system, which seems like a huge undertaking but isn't. Once committed to a system, stuff is constantly captured and entered.**

**WEB EXTRA →** **For a diagram and overview of the time management system Harwood uses, visit landscapemanagement.net/2012/09/27/timemanagement/.**

A GOOD TIME MANAGEMENT SYSTEM IS SIMPLE, EASY TO USE AND RESULTS IN LESS STRESS AND ANXIETY.

and what we're supposed to be doing with our time. The distraction doesn't appear to be damaging, but it is.

Much of our stuff is actionable—we need to do something. If this is the case, we need to ask ourselves another question: What's the next action? Once we identify this, we can decide how to deal with it in our system.

There also are three options when stuff is actionable: Do it if it takes less than two minutes to do (option 1). If the item takes more than two minutes, you can delegate it (option 2) or defer it (option 3). Either way, the item stays in your time management system to ensure it's completed eventually.

When we delegate or defer, we create next actions, which are the next steps that need to be taken to move an item toward completion. Next actions appear in our calendar if they're date specific. They appear in a categorized task list if they're not date specific.

Reviewing our calendars and tasks to determine what needs our attention is the next logical step in the system and must be done regularly. I review my calendar and tasks daily, with a much deeper review once a week. This might be sufficient for you, depending on how fast your world moves. LM

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*Harwood is founder, president and CEO of Pro-Motion Consulting. Reach him at phil@mypmcteam.com or visit mypmc team.com to learn more.*


HOW-TO

# Prepare for next year

BY KEVIN KEHOE

Painfully aware that any prognostication or prediction might be off base, it's safe to say the 2013 forecast depends on the presidential election this November. At the same time, any change in the national office can't alter the reality that a global economic slowdown will pressure the commercial real estate market, which will affect growth aspirations, profits and access to capital. So, make a business plan that addresses accurate market conditions, your profit and your cash needs.

The following story is a slightly disguised version of a company's experience planning and executing that plan in 2012. We'll call it Company X, and I'll use $1 million as a fictitious revenue number. The company is larger, but $1 million makes it easier to understand the financial relationships among the numbers. Although the year hasn't ended, the company is on track. I hope this example serves as a lesson that might inform your decision making and planning processes for 2013. The plan included, but wasn't limited to, the assumption that:

LABOR COSTS WOULD RISE—based on the mishandling of the H-2B program, increased labor department rules and regulations, a dysfunctional unemployment policy and the heath care uncertainties that remain.

UNIT PRICING FOR LABOR WOULD REMAIN FLAT—based on conversations with customers who suggested they were rejecting lowest prices more often (this wasn't true from 2008 to 2010) and were less tolerant of lower quality. (They were calling vendors about their strategy of fewer hours applied to the job to reduce contract prices.)

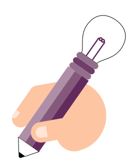
INTEREST RATES WOULD REMAIN LOW AND GAS PRICES WOULD REMAIN FLAT—based on our faith in Ben Bernanke to continue his easy money policies. These conditions would make equipment purchases less expensive. At the same time, the crashing euro would result in dollar-denominated oil prices being less inflationary.

IMPROVED INFORMATION SYSTEMS WOULD ALLOW REVENUE GROWTH WITHOUT OVERHEAD STAFFING GROWTH—based on a stubborn refusal to add staff, by benchmarking the return-on-overhead-dollars-expensed ratio with high-profit companies and the purchase of new software the year before. We had good people, and with proper information, motivation and a clear plan, they could perform small productivity miracles.

Here's how we planned for these assumptions. You can see the results in the tables below.

› The first assumption called for a labor cost increase. We increased wages for several key foremen to retain their services. As a result, the average wage rate increased 5 percent, from $13.33 to $14 per hour. To offset the cost increase, we planned for a productivity improvement of 6 percent in the return on labor dollar paid from $2.13 to $2.25. Given that the high-performance benchmark for this ratio was $2.40, it suggested we still had room for improvement. Also, the operations people committed to reduce hours through lean management practices across the board. Work could be done more efficiently, saving 6 percent of hours.

› The second assumption called for flat unit pricing to the customer. In many cases, we believed we could raise prices on some jobs through the renewal process and still meet the 90 percent retention goal, which we did. We also made salespeople breathe easier when we kept pricing tight on new work. At the same time, we expected them to do a better job qualifying prospects so they wouldn't waste time bidding work where the customer gave us little chance of success and by managing the job specification (occurrences and frequencies) tighter to reduce total hours needed to do the work on a new sale. This would pressure production to be more efficient and manage the schedule more in tune with the weather (we prayed for a hot, dry summer) and the customers' feedback through account managers. As a result, the adjusted revenue per hour would increase 11 percent, from $28.33 to $31.50 per hour.



**QUICK TIP**
**Make a business plan that addresses accurate market**
FRQGLWLRQV•\RXU•SURÀW•DQG•
**your cash needs.**

› The third assumption called on stable gas prices and minimal equipment purchases based on tighter route management to reduce drive time and better emphasize minimizing equipment abuse. As a result, our overhead spending for this expense increased 13 percent ($225,000 from $200,000). This change was reasonable and in line with the 15 percent revenue increase. We believed we could improve these expenses but erred on the side of caution.

› The fourth assumption called for no additional overhead spending for staff. The 15 percent sales growth was based on an increase of the return on overhead dollars by only 6 percent. This number was well within reasonable, high-profit benchmark performance and no more unnecessary overhead spending. We kept salaries flat and installed a bonus system based on gross profit dollar performance at year's end, when the staff could earn much more than a standard 3 percent raise. At the same time, we barely raised the new sales goal for the salesman from $250,000 in 2011 to $252,750 for 2012. The salesman felt it could be accomplished with the more focused approach and pricing model outlined in the table.

The tables below tell the story of Company X's planning process, from where we started in 2011 to where we wanted to end in 2012. Given tight access to capital, we had to show a near-10 percent profit to drive cash flow. This was the ultimate goal of the planning. Everyone understood how critical it was to achieve this.

The key to making the plan was based on sweating the numbers, involving managers and getting buy-in to the strategy and ownership of the result.

The same type of planning can be used this year when you lay out your goals for growth and profit for 2013. Keep in mind there's no such thing as the perfect plan. General Patton famously said, "No plan survives contact with the enemy." He also said, "An average plan aggressively executed is far better than a perfect plan never completed." Therefore, focus your plan, and see if you don't have a prosperous 2013. LM

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## TABLE 1: COMPANY X — BEFORE

**ACTUAL RESULTS: PROFIT AND LOSS 2011**

| | | |
|---|---|---|
| Revenue | $1,000,000 | |
| Labor | $400,000 | 40% |
| Material | $150,000 | 15% |
| Gross profit | $450,000 | 45% |
| Overhead | $400,000 | 40% |
| Net profit | $50,000 | 5% |
| **OVERHEAD** | | |
| Supervisory | $50,000 | 5% |
| Fleet/equipment | $200,000 | 20% |
| Rent/office | $40,000 | 4% |
| Marketing | $20,000 | 2% |
| Insurance | $75,000 | 7.5% |
| Computer | $15,000 | 1.5% |
| TOTAL | $400,000 | 40% |
| Paid production labor hours | $30,000 | |
| **RATIOS 2012** | | |
| Sales growth | 11% | |
| Contract revenue retention | 85% | |
| New sales made | $250,000 | |
| Average wage rate/hour | $13.33 | |
| Adjusted revenue earned/hour | $28.33 | |
| Return on labor dollar paid | $2.13 | |
| Return on overhead dollars expensed | $2.50 | |

## TABLE 2: COMPANY X — AFTER

**BUDGET/PLAN: PROFIT AND LOSS 2012**

| | | |
|---|---|---|
| Revenue | $1,152,750 | |
| Labor | $435,483 | 37.8% |
| Material | $172,913 | 15% |
| Gross profit | $544,354 | 47.2% |
| Overhead | $435,000 | 37.7% |
| Net profit | $109,354 | 9.5% |
| **OVERHEAD** | | |
| Supervisory | $55,000 | 4.8% |
| Fleet/equipment | $225,000 | 19.5% |
| Rent/office | $40,000 | 3.5% |
| Marketing | $20,000 | 1.7% |
| Insurance | $80,000 | 6.9% |
| Computer | $15,000 | 1.3% |
| TOTAL | $435,000 | 37.7% |
| Paid production labor hours | $31,106 | |
| **PLANNING RATIOS 2013** | | |
| Sales growth | 15% | |
| Contract revenue retention | 90% | |
| New sales made | $252,750 | |
| Average wage rate/hour | $14.00 | |
| Adjusted revenue earned/hour | $31.50 | |
| Return on labor dollar paid | $2.25 | |
| Return on overhead dollars expensed | $2.65 | |

Revenue includes contract and extras invoicing. Labor dollars and paid production hours include all payroll expenses (taxes, too) for foremen and crews. Material includes subcontractor costs. Contract retention percentage is based on dollars. The average wage rate equals labor divided by paid production hours. The adjusted revenue earned per hour equals revenue minus materials divided by paid production hours. Return on labor dollar paid equals adjusted revenue earned per hour divided by average wage rate per hour. Return on overhead dollars equals revenue divided by total overhead. The last two ratios are the most consistent ones used to plan and compare companies because they remove regional and local differences in unit labor costs and market unit pricing.

HOW-TO

# Position your company for growth

BY JUDY GUIDO

While the economic fallout has converted many companies into corpses, it also has attracted many new players to the market, of which about 25 percent will survive. Regardless of the state of the competitive landscape, you need to position your company strategically for sustainable growth.

Let's begin by defining positioning, which is the act of designing a company's offering and image to occupy a distinct place in the mind of the target market, according to Philip Kotler, the father of marketing.

One of the first steps in positioning a company is understanding the position your brand occupies in the stakeholder's mind. This requires objectively assessing and evaluating your brand from their point of view, not yours.

After working with hundreds of companies and conducting primary research about positioning, I've learned only 40 percent of companies assess their brand positioning accurately. Key reasons for this include:

- large gaps of time between assessments;
- poorly designed assessments; and
- assessments conducted by inexperienced people.

Positioning is a strategic, competitive tool. In its simplest form, it pits a brand against its competitor's. It forces the customer to answer the question, "Why should I buy from your company instead of the competition?" One of the key attributes of positioning is meaningful differentiation, so stakeholders can distinguish your offerings from the competition. In a recent research study I conducted with commercial and residential customers, less than 8 percent could articulate or identify any real differentiation among companies.

There are various ways you can differentiate and position yourself: target markets, geographical footprint, product or service, pricing, sales channel and promotion. Additionally, you can differentiate by expertise, equipment, technology or supply chain.

For example, does your supply chain provide a price or time-to-site advantage over your competition? Your position might be that of an innovator whose customer receives the benefits of cost reductions and operational efficiencies. If you're a landscape maintenance provider:

- Do you offer services your competitors don't, such as storm water management?
- Do you deliver your services faster and at a lower price?
- Do you offer expanded hours and days of operation?
- Do you perform your services seven days a week, whereas the competition limits its service delivery to five days a week?

Perhaps your company positions itself as customer centric, reliable, convenient and easy to do business with. Research shows customers place high value on ease of conducting business, reliability and convenience.

## Communicating your position

You create your brand identity via marketing tools such as brochures, fleet design and a website. A brand image is the view the market has of your company. Identity and image need to be aligned and consistent within the target market you serve. It might come as a surprise, but your brand identity and image might differ by target markets. For example, in an industrial market, you might be positioned as the low-maintenance provider, whereas in a Class-A retail target, you might be positioned as the high-design, colorscape, subject-matter expert.

## QUICK TIP

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When positioning your company, it's critical to know how to read the market. Understanding and identifying market fads, trends and market force de jure are important. A fad is short lived, a trend generally lasts a decade and a market force de jure can last decades. The green and sustainable movement is an example of a market force de jure.

Another key market dynamic to read and understand is real estate. It's also important to analyze demographics and psychographics (why people buy), as well as regulatory, social and political issues.

Buyers dictate what's important and relevant to them, so your positioning needs to be aligned with their world. Is your position relevant to your key buyers? Is your position different or are you simply another commodity claiming to be different? Can you communicate and distinguish the differences? If you're offering the same services and delivering them the same way at about the same price, you've positioned yourself as a commodity in the eyes of the market. One test is to ask yourself, "Can our position or differentiation be copied easily?"

Common positioning errors include underpositioning, in which the market has a vague idea of your service or product and its differentiation. Conversely, overpositioning occurs when only a small group of prospects can identify with your position. The most common error in our industry is confused positioning, which occurs when a company claims too many benefits or changes its communications too often. There's also doubtful positioning, which takes place when stakeholders don't believe the claims a company is making about its service or product offering, pricing, team or value proposition.

To occupy a meaningful and distinct competitive position in your stakeholders' minds, focus on highlighting:

- uniqueness;
- attributes and benefits of product/service;
- team expertise;
- operational efficiencies; and
- innovative equipment or technology.

Highlight and position the meaningful benefits relevant to the customer. Don't claim you're the best at everything; cite specific applications or target groups where your people, service or product are best. Position and prove when you're better than the competition.

So, what kind of position is your company in? LM

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# The whole is only as


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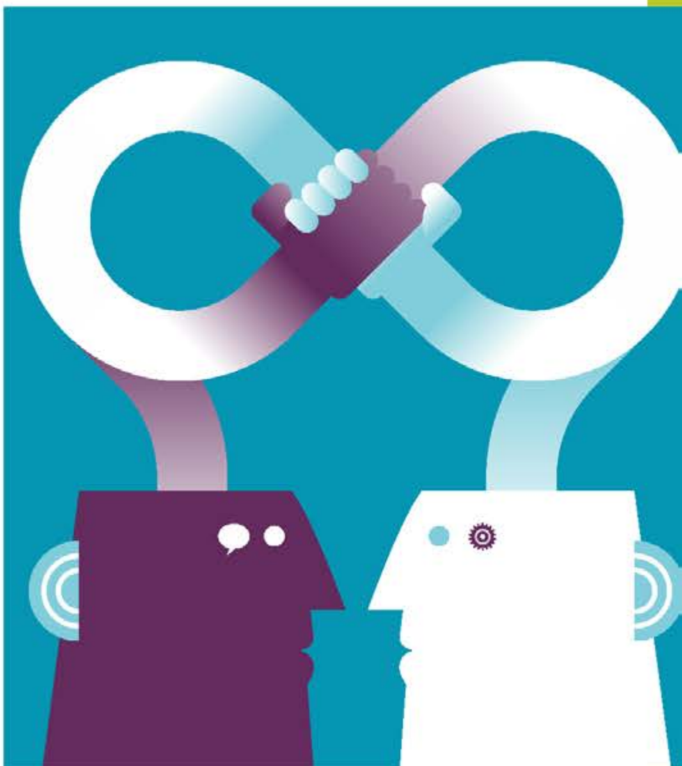
HOW-TO

# Benefit from peer networking

BY JODY SHILAN



We're all familiar with business-to-business networking (B2B) as well as business-to-consumer networking (B2C). Well there's a category of networking that you've likely been involved with for years but rarely think about as a business networking opportunity. It's what I call C2C networking. No, it's not consumer-to-consumer networking—but contractor to contractor.

Think about it, have you ever borrowed a truck, machine or attachment from one of your "friendly" competitors? Maybe taken some fill or boulders from his or her project and trucked it to yours, saving both of you time and money? You see, you've been C2C networking for years but have never really thought about its true potential or value in helping you grow your business.

Who can better understand what it takes to be a landscape contractor more than another landscape contractor? Unfortunately, most business owners don't want to share anything with their competitors. What if you could strip away the fear of competition and just talk openly and honestly with other Green Industry professionals, sharing your thoughts and opinions on everything from equipment purchases to human resources issues? Even your financials.

These days there are so many opportunities to network with your fellow contractors, whether they are in the next town, the next state or the next country. Learning by trial and error has become way too expensive, and a few bad decisions can put you right out of business. Today you need information from people who have been there and done that and aren't afraid to share. People who will tell it like it is whether you want to hear it or not. People who are landscape contractors themselves.

To be successful at C2C networking you just need to be open to the idea. Here are three opportunities.

## Association involvement

The first and most obvious place to begin your foray into C2C networking is through a landscape association. There is no better source of industry information than another landscape contractor, and there's no better place to find one than at a landscape contractor association.

If you already belong to one you know the value of membership; if not, just keep reading. Landscape associations, by design, are groups of peers working together to improve their businesses and help the industry as a whole.

At the New Jersey Landscape Contractors Association (NJLCA), we have worked very hard to break down the barriers between competing contractors to show them the value of working together. We frequently remind our members that they are not in competition against other NJLCA members; rather, they are competing against non-members, along with every other industry that competes for the same consumer dollars and disposable income that we do. Members are slowly starting to get the message.

Our most highly attended and successful meetings

*continued on page 42*