

Holiday lighting

A business primer for starting and succeeding in the holiday lighting business.

As part of our 2012 Whitepaper Series, *Lawn & Landscape* walks you through the core business components of a successful holiday lighting business and provides insight from industry pros on how to get a solid start. This month features holiday lighting.

Getting Started

The first order of business for owners is developing a production plan based on the capacity in a given territory, the number of employees who will work in the lighting business, and the budget an owner has to spend on inventory.

Brandon Stephens, director of marketing for Christmas Décor, a franchise system covering 375 markets in the United States and Canada says Christmas Décor franchises range in man-power from 2-person outfits to operations with staffs of 200-plus employees. Some go into the holiday lighting business with the intention of reeling in \$50,000 during the holiday season – others aim for several million.

So first, set goals. Settle on a realistic scope for the holiday business, and determine how much you can truly invest. For landscapers who choose to buy into a franchise system like Christmas Décor – and there are others – Stephens says the initial franchise fee is currently \$5,000. Then, the franchisee pays 5 percent royalties based on gross sales and contributes 1 percent of those sales toward an advertising fund shared by all franchisees in the system.

The franchise fee gets you into the system: the tools, training and support. But you'll need inventory. Stephens says initial orders range from \$5,000 to \$13,000 depending on the company's sales goals.

Chuck McKeown, president of Golf Green Lawn Care in Pekin, Ill., remembers starting his holiday lighting business with about \$5,000 in inventory, and stocking up on basics like mini-lights, C9 bulbs, stringers, shingle tabs and garland. "I don't think there is a set dollar amount you should stock," says McKeown, owner of three Christmas Décor franchises.

McKeown says supplies ship quickly and he can usually order and receive stock within four days or so. But during the season, ordering time backs up. And that's when customers want you to install their lights yesterday.

The key to maintaining inventory that you'll actually sell is to keep it simple, Stephens says. Avoid stocking colored lights and custom fixtures that appeal to a limited audience. Those can be special ordered if necessary. "We probably do about 80 to 85 percent of our work with just a handful of different lights and greenery," he says. "While every install

is custom, you're using the same materials. You don't want to have 43 cases of purple mini-lights sitting around."

The good thing about holiday lighting inventory is that it doesn't have a shelf life. Mini-lights are timeless. Garland never goes out. And customers who sign multi-year contracts (and this should be your goal) will have the same lights installed on their properties, unless new features are added.

"The inventory is recurring," Stephens explains. "Hopefully, you'll get several years out of the inventory."

And while the vast majority of holiday lighting installers (99 percent according to *Lawn & Landscape* research) do Christmas decorations, many said they also target other holidays, including New Year's Eve, Thanksgiving, Halloween, St. Patrick's Day and Easter, as well as special events for their clients, such as grand openings, weddings and parties.

GET STARTED

Set goals. How much can you budget toward this start-up business, and what are your sales goals for the season? This will help you define an appropriate inventory investment.

Start with basics. Your initial inventory should include staple items that every job requires. Talk to the supplier for recommendations.

Keep it simple. Choose a handful of items and focus designs primarily on these lights. That way, you can safely build up inventory without the risk of not selling the product.

Training Your People

When the sun sets and the timers kick on those mini-lights, there's no hiding messy work. Window and rooflines must be perfectly trimmed with evenly placed strings of lights. Tree wraps, where mini-lights are wound around branches and trunks, must be executed precisely. While accomplishing lighting effects is not difficult, it does require training and a sense of pride. Because ultimately, the finished work is what sells the next job.

So how do you transition a maintenance crew into a lighting team? With a training plan that covers bases including: lighting installation techniques, power requirements and safety.

Training is best accomplished on site, so McKeown makes sure to partner newbies with seasoned lighting crewmembers.

Michael List, president of Christmas Décor emphasizes the importance of instilling that service sensibility in every employee who installs lights. And it also helps if the employees genuinely enjoy the holidays, he says.

Webinars showing lighting techniques and other installation basics are an important part of training teams at Christmas Décor. At least bi-weekly, a new webinar highlights a training feature for installers. These videos are available in an online library. Meanwhile, franchise own-

ers attend on-site training at the headquarters, where they learn design basics, business skills and sales strategies. Essentially, owners that buy into a franchise system gain access to an extension service, Stephens says.

Safety is a key consideration, which McKeown knows after paying OSHA fines. "No one ever goes out and gets up on a ladder by himself,"

McKeown says. Law requires that employees use harness and rope when scaling roofs, and extension ladders must be 3 feet taller than the gutter. McKeown paid a \$9,800 fine for unknowingly violating these two rules.

"Now, the guys sign off on training," McKeown says. "Safety is very, very important, I don't care how big or small your company is."

GET STARTED

Be hands-on. Show, don't tell. Demonstrate lighting techniques in the field so new installers can practice with experienced helpers nearby.

Emphasize details. Every mistake shows up when it's dark and the lights go on. And each job is a reflection of your company's capabilities. Make sure employees understand this.

Brush up with videos. Scout out webinar and other online training opportunities so installers can watch techniques being performed.

Storing Materials

Your inventory has arrived – but where will you store it? You'll need someplace dry, where supplies can be easily accessed. Stephens estimates that \$100,000 of inventory can fit into a 10-by-20 foot storage unit.

Starting out, you can get away with much less space. List initially converted an old maintenance barn no larger than 600 square feet into a storage area for holiday lighting inventory. Then, he graduated to a 1,000 square-foot storage trailer, and now his facility is 10,000 square feet and is set up with areas for storage and staging.

Another storage consideration: You might want some hanging space. While lights can be kept in rubber totes or crates (List uses pallet boxes for large

jobs), garland should be hung. "If you bring that in from the cold, the moisture will turn into mildew if you put (garland) in a tote and seal it," McKeown says.

McKeown applies a duct tape label to each tote, organizing inventory by customer. The next year, when the Smith or Jones family wants lights installed, their tote is ready and all McKeown has to worry about is testing the lights, checking product for quality and adding additional lights requested to the order.

List uses a system of assigning a number to each customer based on when projects will be installed. Containers are labeled and arranged in numerical order so they can be moved into the staging area. Installers know that crates in this area are ready to be installed.

GET STARTED

Designate a space. Your storage area should be dry and allow for stacking containers. The amount of space you need depends entirely on your inventory.

Set up a system. How will you organize clients' displays so you can easily find and test them the following year? Devise a labeling system that works for your business, and be consistent.

Save space for hanging. Garland is best stored by hanging it so moisture doesn't get trapped and cause mildew.

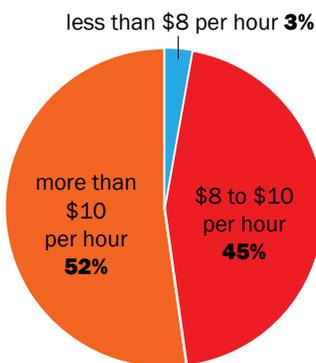
Selling the Service

Two years after starting in the holiday lighting business, List recognized that the add-on business could evolve into a stand-alone operation. Now, his company is busy with holiday eight months out of the year (see our Pocket Calendar). “Not only does it keep our main installers busy, we have also added employees,” he says.

In fact, List hired a dedicated holiday lighting salesperson four years ago to boost the company’s commercial business. Selling to this audience is a different game than targeting the residential market.

For one, commercial clients view holiday lighting as more of a necessity than a luxury. “Retailers want that Christmas

What do you pay your crew members on average?



atmosphere to entice consumers to spend their money there,” List says.

The sales is an emotional one for homeowners. It’s something they want – it’s an extra, and one you must show them is worthwhile paying for. And the sales cycle is short. “Eighty percent of residential clients will make the decision to hire you within a 24-hour period,” List says.

And homeowners usually decide to buy once the season has begun, after Halloween and sometimes after Thanksgiving. Commercial clients are thinking about Christmas in July. “The earlier the commercial person can say, ‘We’re interested. Will you put a design together for us?’ the better chance you will have that product available at a good price,” says List, whose commercial clients spend from \$10,000 to a half-million dollars per year on holiday lighting displays.

Finished displays are best marketing for residential or commercial sales, List says. That’s why he decorates a “market home” or “market business” each year. These properties are located in high-profile, high-traffic areas. “We’ll make some type of

➤ GET STARTED

Sell your brand. Referrals are the best source of new business in holiday lighting. So look for ways to display your name in front of finished projects so you can show prospects your capabilities.

Form partnerships. Consider teaming up with other service businesses in your area that attract clientele that would be a fit for your business.

Tell the neighbors. Go to each job prepared with leave-behinds for the neighbors – door hangers, brochures or discount coupons.

agreement with the owner of the property or business in exchange for advertising,” List says. “We’ll put out signs that say, decorations provided by...”

List also partners with other service businesses in his area to get the word out about holiday lighting. But he’s careful about which alliances he chooses. An example of a successful partnership is List’s relationship with a drycleaning company that provides home delivery. “People who are attracted to that service have time constraints in their personal lives and are willing to pay for the extra service,” he explains.

A partnership with a car wash didn’t pan out as well. “If you are going to partner with a business to help advertise your Christmas business, you have to look at their clientele and determine whether their customers would be your customers,” List says.

List also uses traditional marketing tools. His company has yard signs at every major intersection in town, and he uses flyers and door hangers to let neighbors of clients know where all the lights are coming from.

McKeown might work out a deal with a client in exchange for permission to post a yard sign advertising his company in front of the finished job. “Say you’re doing a \$550 job. We might knock off \$50 if they are willing to leave the sign up for the rest of the month,” McKeown relates.

Aside from signs, McKeown also relies on brochures dropped off at neighboring homes, some newspaper advertising and door-to-door solicitation. “Just like in our lawn care business, when the lights are up, neighbors call and want to get a price,” he says. Referrals are a huge driver, so the real key in this business is your branding.

➤ RESIDENTIAL VS. COMMERCIAL

Average installer has **72** residential accounts and sees an average gross profit margin of **19%**.

In the commercial world, he has **28** accounts, which give a gross profit margin of **17%**.

Delivering Tight Contracts

“Our service is not selling Christmas lights, it’s selling Christmas displays,” says List, emphasizing this fact in contracts. Customers don’t purchase the lights – they don’t own them at the end of the season, or ever. They purchase the service and the display; they lease the lights.

McKeown, on the other hand, says the lights go with the customers no matter where they live. “When people take the service, they own the lights,” he says, adding that the cost of service decreases each year. Year one, a job might cost \$1,000. The next year, “you own the lights, so your price gets cut in half,” McKeown explains. “That way, they can add \$500 more lights to their job the next year if they want to.”

And what if a customer moves? “We will bag up those lights and garland and take it to them,” McKeown says. “If they are moving to another

house in the area and not out of state, and they want us to reuse the lights, we can do that to a point – but it’s hard because every display is made to fit each roof. There will be some adjustments.”

These terms must be spelled out in the contract. Will the client lease or own the lights? Who is responsible for maintenance? (All of the sources we spoke with said their companies take sole responsibility for ensuring that displays are 100 percent lit season-round.) And a biggie: What is the duration of the contract?

List likes to lock in residential customers with three- to five-year contractors, and he aims for five to seven years on commercial contracts. After those time periods, clients usually consider redesigning their displays, he says.

He’ll do a one-year contract with a homeowner, “but there is an advantage to doing three years because the price goes down in years two and three,” he says. It takes him two years to recoup the cost of materials.

Longer contracts are a wise move, especially in cases where animated displays are created or colored, customized lights are used, Stephens says. “Getting a multi-year contract helps cover yourself,” he says. “If you go in with a \$100,000 commercial installation and you carry a lot of inventory for that, you don’t want that to go away in a year.”

Service calls are another key section of contract terms. To keep it simple, state that your company will provide free service calls upon customer request. That’s what List does. Plus, his team performs “proactive service

calls.” This means an installer will periodically visit each account and turn on the display to make sure it’s running perfectly.

And finally, avoid hidden fees. “What you get is what you pay for,” List says.

➤ GET STARTED

Go for longevity. Aim for multi-year contracts that allow your business to recoup the cost of the product and continue earning profits from an account year after year.

Spell out terms. Who owns the lights? Who is responsible for maintenance? How quickly will you install the job, and when will you take down the display? Don’t leave out a single detail.

Keep your word. Exceeding expectations is absolutely necessary for winning repeat business and getting referral business.

A Pocket Calendar

Here’s a quick overview of the 12-month cycle of the holiday lighting business.

January	Take down all displays, organize product in storage area. Attend lighting trade shows to see what’s new and consider purchases for the following season.
February	Office personnel and sales staff contact every client and distribute customer service surveys.
March	Commercial clients are contacted to discuss potential add-ons to the previous year’s display. Sales staff begins prospecting for new business.
April-May	Downtime
June-August	Decorations are tested and organized for installation. Maintenance issues are addressed and replacement parts are ordered if necessary. Animated pieces are tested (and re-tested). Inventory is organized to prepare for fall. Orders are placed for large projects and staple inventory.
September	Some commercial installation may begin
October-December	Installation for residential and commercial customers.

How long have you been offering holiday lighting services?

