Lawn & Landscape

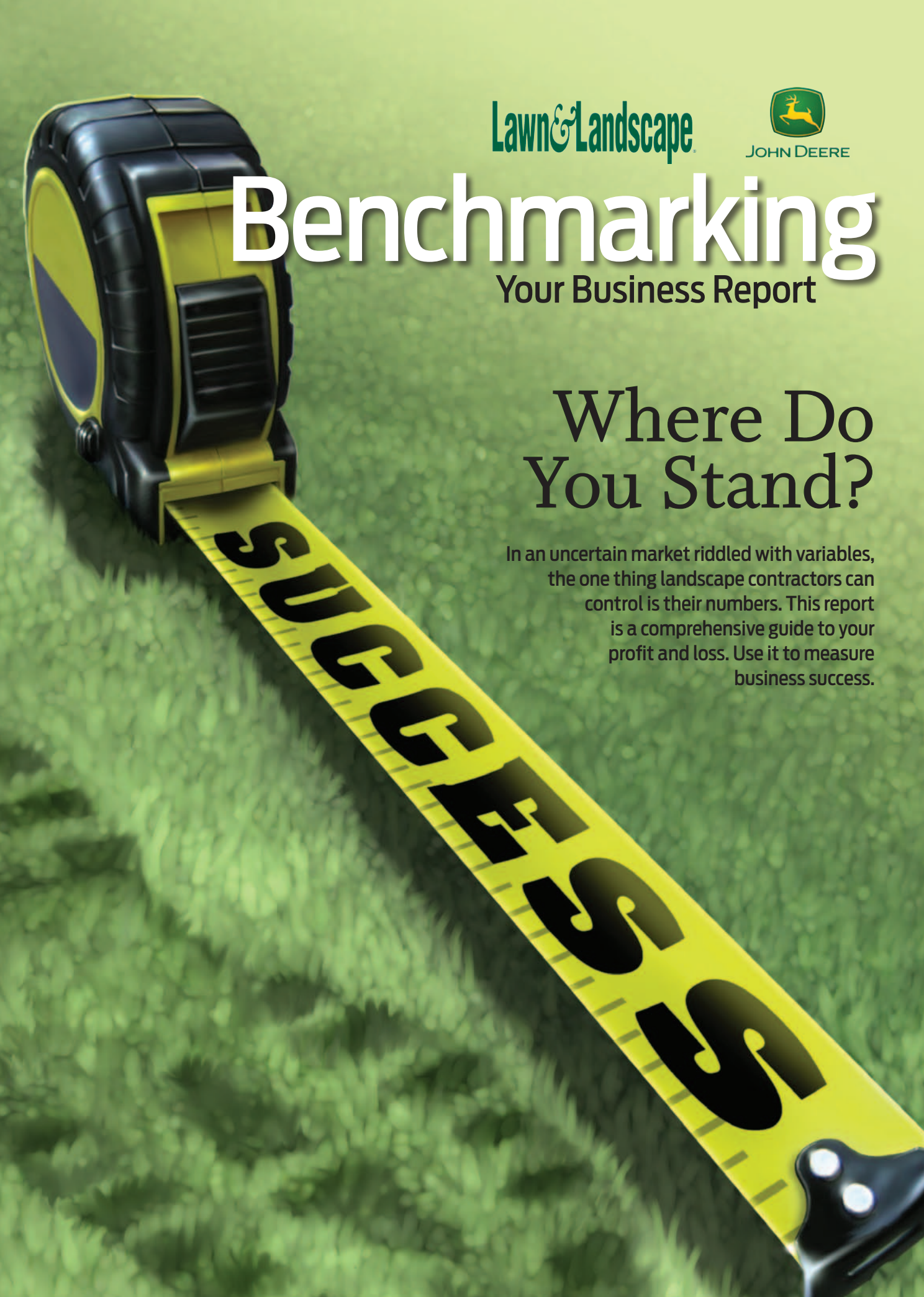
JOHN DEERE

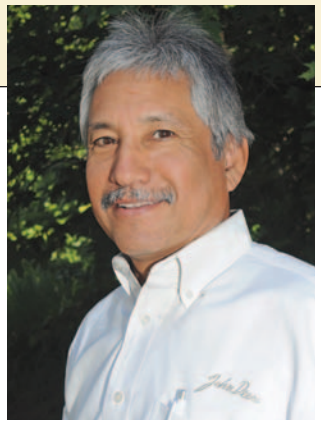
Benchmarking

Your Business Report

Where Do You Stand?

In an uncertain market riddled with variables, the one thing landscape contractors can control is their numbers. This report is a comprehensive guide to your profit and loss. Use it to measure business success.





John Deere – Helping You Manage Your Business in 2008 and Wishing You Continued Success in 2009

At John Deere, we understand the many economical and life-enrichment benefits the green industry provides for all of us. We appreciate all you do every day to beautify the land where we live, work and play. This is why we are proud to have the opportunity to sponsor your 2008 *State of the Industry* and 2008 *Benchmarking Your Business* reports. It is our expectation that each business owner studying the research findings available within each of these two reports will be able to utilize some of the lessons learned to better the results of his/her business operations in the approaching business cycle.

When we consider the tough economic environment under which each of you had to run your business in 2008, we must realize this past cycle has not been an easy one to survive and thrive in. At John Deere Co., we continue to search for ways to help you become more successful, even in the tough times. This is why, for the third year in a row, we are the Green Industry Conference (GIC) Platinum Sponsor for the Professional Landcare Network (PLANET) and the Gold Sponsor for the Professional Grounds Management Society's (PGMS) School of Grounds Management. The classes offered at the GIC help you with industry certification, as well as help you find solutions to a multitude of business operation challenges. Speaking of PLANET, after one year in the market place, the John Deere affinity program available to PLANET members is beginning to gain traction producing advantages for those members who have utilized it. This program allows PLANET members access to very competitively set prices on commercial equipment ranging from Z-Trak mowers to tractors, to utility vehicles, and much more.

One year after John Deere Co. acquired LESCO, we continue to work on an extensive project list integrating LESCO under the John Deere Landscapes organization. We hope the work we have done in 2008 to align the Landscapes locations with John Deere Dealers for mowing equipment sales and overall equipment support will move us closer toward becoming your destination for total solutions to help you succeed.

Even after 170 years, our business is not much different than yours. We continuously change, adapt and implement new processes in order to build a better business for all of our customers. We look forward to seeing you soon! Have a great 2009!

J. Gilbert Peña
Segment Strategy Manager, B2B, John Deere

JOHN DEERE

P&L: Where Do You Stand?

In an uncertain market riddled with variables, the one thing landscape contractors can control is their numbers. This *Benchmarking Your Business Report* is your comprehensive guide to the profit-and-loss statement. Rely on this tool for budgeting and checking the temperature of your business.

Budgeting has never been so complicated for Hazeltine Nurseries. Fuel prices and other operating costs are up, while labor is steady but uncertain – the numbers fluctuate weekly.

"We prepare for the worst and hope for the best," says Stephen Hazeltine, president of the Venice, Fla.-based, $19 million, full-service landscape firm. Hazeltine is holding off on big investments like equipment, for now. "We're waiting to see what consumer confidence does," he says.

Douglas Freer echoes this sentiment. He says a backup plan for his Cleveland Heights, Ohio operation, Lawn Lad, is in the works. This year, Freer will focus on what he can control: productivity and efficiency. Opening the books to employees will get everyone on board with the plan, he explains, noting their performance has a direct impact on sales, equipment condition, customer satisfaction and, ultimately, whether the company profits.

David Rykbost, president, Dave's Landscape Management Co. in Hudson, Mass., flat out says: "We choose not to participate in the down economy."

by Kristen Hampshire

By scrutinizing job costs vs. bids, reviewing monthly financials and keeping an eye on line items, such as labor as a percent of revenue, Rykbost and company Controller Jeanne Lapidas always know where the business stands. "You have to know what benchmarks are acceptable in the industry and for your company," Lapidas emphasizes.

This year's *Benchmarking Your Business Report* walks you through the profit-and-loss (P&L) statement and highlights important benchmarks so you can take the temperature of your business. Jim Huston, president, J.R. Huston Enterprises, a green industry management consultancy based in Geyersville, Calif., provides "ideal" and "exemplary" benchmarks (see chart on page 6-7); our *Lawn & Landscape* survey, conducted by ABR Research, reveals industry averages. How does your operation stack up?

Allow Huston to guide you through the onerous task of reading the monthly financials so you can get on the path toward profitability.

WORK THE NUMBERS. Huston suggests thinking of the P&L statement as a job-cost report for all jobs thrown together. The goal, always, is to achieve profit. Begin your budgeting process by setting a profit goal.

"The more profit, the better," Huston says. "Profit gives you more options, money for capitalization, money for bonuses. Your first job is to hit 10 percent net profit margin after all the bills are paid, and if you're doing 15 percent, you're doing a great job."

Those numbers aligned with survey respondents: 25.3 percent expect 10 to 15 percent net profit after taxes; 15.6 percent plan for 16 to 20 percent profit. However, 32.7 percent say profits will reach 5 percent or less for 2008.

Huston's benchmark for direct costs is 70 percent of net sales; overhead should come in at 25 percent, give or take a few points. Half of that overhead will go toward office staff and the owner's salary. The benchmarks for line items that fall under those two categories are detailed in "Chart Notes" on page 6.

While smaller organizations tend to be more nimble and can react quickly in a changing market, their P&L statements tend to lack consistency in some line items, namely owner's salary. As the company grows, this ratio becomes a smaller percentage of sales, Huston notes. For instance, an owner who takes a salary equal to 10 percent of $250,000 in sales will not take 10 percent if sales are $3 million. Meanwhile, the owner will ramp up office personnel and, therefore, pay out that 10 percent to support staff. The ratio stays the same, but the split changes as a company grows, Huston explains.

Also, smaller companies are hit harder by insurance prices. Large organizations benefit from buying power. "If you do a half-million in sales, an insurance policy can throw the numbers out of whack," Huston says. "Larger companies develop more stability."

Aside from the owner's salary, direct and overhead cost ratios should remain consistent, Huston says. Many times, if a line item is inflated, the business owner has not allocated the cost properly.

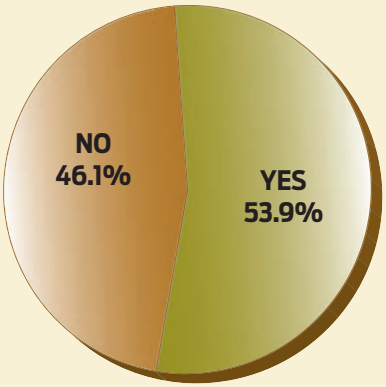
Huston is sympathetic toward owners who balk at the numbers. Sales and production usually take precedence over paperwork. He offers this advice for contractors who tend to push aside monthly P&Ls: "You can keep on top of your business if you do three things: Price it right, produce it right and produce enough of it," he advises.

NIP & TUCK. Dale Micetic, division president of ISS Grounds Control in Phoenix, Ariz., leads managers through the budgeting process each year starting in August with "target budgets." In September, the real number crunching begins, and managers study each line item, taking into consideration last year's performance, current trends and year-to-date expenditures. Always during the budget-building process, he asks the question: "Does this make sense?"

A few sets of eyes review the numbers. In 2008, attention focused on gasoline and labor costs. But ISS Grounds Management's lower materials costs – 21 percent in 2008

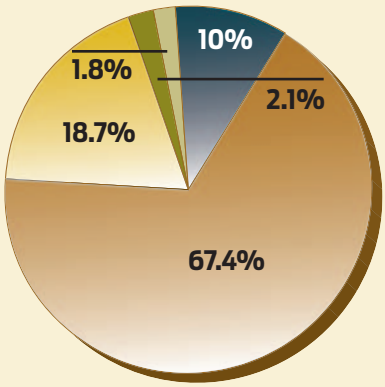
FIGURING FINANCES

Do you receive monthly income financial statements?



PAY DAY

How many days does it usually take you to receive payments from customers?



Within 30 days	67.4%
Within 60 days	18.7%
Immediately	10%
Within 90 days	2.1%
More than 90 days	1.8%

All charts: Lawn & Landscape

"You can keep on top of your business if you do three things: Price it right, produce it right and produce enough of it."
– Jim Huston

PROFIT-AND-LOSS STATEMENT: COMPARE YOUR AVERAGE WITH INDUSTRY BENCHMARKS

Industry financial guru Jim Huston sets "ideal" and "exemplary" goals for business costs. See how your numbers compare by filling in the fourth, blank column.

COST OF GOODS SOLD (Direct Costs)	AVERAGE	IDEAL	EXEMPLARY	YOUR NUMBERS
Materials (with tax)	15.6%	(see A)		
Gas & oil	14.1%	4-6%	3-5%	
Labor (field)	17.3%	(see B)		
Labor burden (field)	3%	75% of field labor		
Subcontractors	2.3%	(see C)		
Equipment	8.4%	8%	5-7.9% (see D)	
Equipment rentals	2.1%	(see E)		
Miscellaneous direct job costs	3.2%	2%	1%	
TOTAL DIRECT COSTS		70% of sales, +/- 5%		
GROSS PROFIT MARGIN		15%	20% (see F)	

CHART NOTES

DIRECT COSTS

A: Material costs depend on services sold. Typical benchmarks: landscape construction/installation = 30%, plus or minus (+/-) 3%; maintenance = 5-10%; lawn care = 10%.

B: Field labor depends on services performed. Typical benchmarks: landscape construction/installation = 20-22%; maintenance = 35-45%; lawn care = 24% (+/- 3%).

C: Subcontractors total cost depends on company strategy. The goal is to cover those costs completely and add 15% to sell the labor rate to clients and earn a profit. For instance, account $115 for a subcontractor that costs $100.

D: Equipment costs depend on the business. Capital-heavy operations naturally will spend more in this category, increasing the 8% average by 10% or more. The key, always, is to recover these costs and achieve a profit margin.

E: Equipment rentals depend on a company's deduction methodologies. Cover this number through accurate job costing. (Know how much rental equipment costs per hour to run, plus profit.)

F: Profit margin goals should start at 10% net (after bills are paid). Ideally, set the profit margin goal first, then work backward and fill in direct expenses, always keeping in line this magic number.

INDIRECT COSTS

G: Donations are tricky, and the ratio depends on company size/revenue. For instance, a company with revenue less than $500,000 that donates 1.2% is generous but gives less than a company with revenue at $2 million and donates 1.2%. A quarter of a percent is a general benchmark/average.

H: Downtime should include only the time when field employees are getting paid but not producing billable hours. This does not include repairing equipment, drive time or load time. It does include shop cleanup time and "dead time." Downtime is usually one hour per week per full-time field employee. That's 2% downtime for a 50-hour per week worker.

I: Downtime labor burden should be 75% of total downtime, figuring about one hour per week for a full-time field employee.

J: Insurance averages from *Lawn & Landscape* research include worker's compensation, general liability and automobile insurance. Huston defines "insurance" as only medical insurance, general liability and worker's compensation to labor burden, and auto insurance to equipment costs. That explains his 2% "ideal" compared to our average 4.8%.

K: Bonds are not used by many contractors. The 1.9% average makes sense if the cost includes equipment licenses, but those should be lumped into the "equipment" line item.

L: Office salaries include officers and staff and should range 10% (+/- 2%) of total indirect costs. As the company grows, an owner takes a lesser percentage of salary and office staff takes more. They generally even out to 10-12% total, which is why lumping together officers/office staff is helpful.

M: Salaries labor burden should be 12-15% of salary cost.

YOUR STRATEGY:

Set a profit margin goal in the double-digits. Aim for direct costs that are no more than 70 percent of sales. Indirect costs should not exceed 25 percent of sales. Doing the math, this leaves a 5 percent profit margin – a bare minimum. Tweak direct and indirect costs to "make room" for more profit.

GENERAL and ADMINISTRATIVE (G&A) OVERHEAD (Indirect Costs)

	AVERAGE	IDEAL	EXEMPLARY	YOUR NUMBERS
Advertising	4.3%	1%	0.5%	
Bad debts	1.3%	1%	0.5%	
Utilities	2.4%	2%	1-1.5%	
Donations	1.2%	0.25% (see G)		
Downtime	1.5%	2-3%	(see H)	
Downtime with labor burden	1.1%	(see I)		
Dues and subscriptions	1.1%	0.5%		
Insurance	4.8%	2% (see J)		
Interest and bank charges	1.3%	1%	0.5%	
Licenses and related bonds	1.9%	-0.5% (see K)		
Office equipment, computers, software	2.6%	1%	.0.5%	
Office supplies	2%	0.5%	0.25%	
Professional fees	1.7%	1-1.5%	1-1.5%	
Radios and mobile phone	3%	1%	1%	
Rent	2.6%	2%	1.5%	
Salaries, office staff	3%			
Salaries, company officers	6%	6% (average and exemplary numbers include both salary costs)	4% (see L)	
Salaries labor burden	3.2%	2%	1.5% (see M)	
Small tools/supplies	2.1%	1%	1%	
Taxes, business pre-tax	4.7%	(no benchmark; numbers are figured pre-tax)		
Training and education	1%	1 (+/- 0.5%)		
Travel and entertainment	1.1%	1 (+/- 0.5%)		
Uniforms and safety equipment	1.3%	1 (+/- 0.5%)		
Utilities	2.4%	2%	1.5%	
Vehicles, overhead	5.2%	3-4%		
Yard expense and lease-hold improvements	0.7%	0.5%	0.25%	
Miscellaneous	2.1%	less than 0.25%		
TOTAL INDIRECT COSTS		25% of sales		

vs. 23.5 percent last year – compensated for some increases. Negotiations with suppliers who see slowdowns and want to move product accounted for the expense decrease, Micetic says.

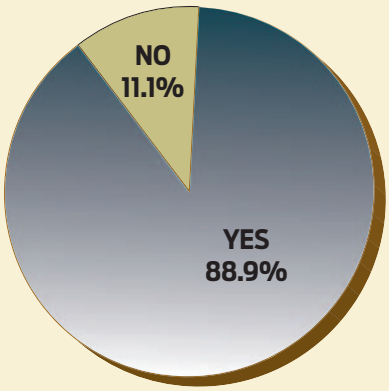
Even with price increases, P&L ratios must stay the same. "You have to manage costs effectively and make sure percentages stay in line with historical numbers," Micetic says. "If business slows down, that may mean cost-cutting in the indirect cost area."

There are three items contractors should never cut from their budgets – advertising, equipment maintenance and training. "These items are where you will get the most return for your energy and dollars spent," Huston points out.

Freer will maintain the same marketing budget for 2009, but he will evaluate, as Huston suggests, how to get the "most bang for your buck."

ESCALATING EXPENSES

Did your material costs increase this year?



Average increase per company – 18%

CRUNCHING NUMBERS

Describe your budget planning this year.

44.5%
We revised our budget due to increased expenses.

23.4%
We cut spending to stay within our budget and maintain profitability.

19.8
We gave up on our budget this year because of rising material costs.

12.3%
We have been able to follow our original budget.

On the other hand, Freer will examine "the little things" that add up: cell phone bills, software, uniforms. He plans to shop communications carriers, and he decided to purchase a software license before he actually needed it, taking advantage of a price-break. As for uniforms, rather than maintaining an inventory of apparel, he'll take a just-in-time approach and order shirts as needed.

Office supply costs can easily spiral out of control. The average according to *Lawn & Landscape* research is 2 percent. Huston suggests curtailing this to ¼ percent if possible. The average miscellaneous department also exceeded Huston's benchmarks. Respondents allocated 3.2 percent of direct and 2.1 percent of indirect costs toward miscellaneous expenses. Chances are, some of those dollars were not allocated in appropriate categories, Huston says.

Micetic says one area to watch is administrative expenses. "If you spent $100,000 on administrative costs this year and you spend $100,000 next year but your revenue decreases by 30 percent, those expenses will suck up your profit," he points out. Prudence is of utmost importance in good and bad economic times.

FEED THE COW. Cash flow positions companies to compete and succeed. The line items on a P&L are essentially bills to be paid. If you do not have the dollars to fund basics, such as payroll, how will you afford the goodies, i.e. new equipment?

Companies that relied on lines of credit to carry them through dry times will find bank dollars aren't available, says John Hogan, who worked at the U.S. Small Business Administration for 32 years before starting his Cleveland, Ohio-based business, Hogan Consulting. Banks aren't lending to each other now, so you can bet small business isn't first in line for a cash infusion. "Without that credit safety net there, there isn't the luxury to be off that much on your budgeting," Hogan says.

Hogan calls budgeting "a forced exercise in getting focused." Maintaining an accurate budget includes setting cash flow goals and, upon invoicing clients, reminding them to pay.

According to *Lawn & Landscape* research, 18.7 percent of respondents have receivables that are 60 days out. Nearly 25 percent do not get paid within 30 days. But holding strong in a tough economy requires stricter control of accounts receivables. "Every day you can reduce your sales outstanding, that's money in your pocket," Micetic says.

Think of receivables as unnecessary loans to your customers. You could reinvest that money in the business, use it for operating expenses or payroll. "You need cash to expand and maintain a business because if you don't have it, you have to borrow it," Micetic says.

Do not learn to live with aging receivables. "The longer you let receivables go, the more likely someone will not pay them," Huston warns.

This speaks to customer relationships – another resource that fuels a business during good times and bad. Cash flow is contingent on "making the sale," Freer recognizes. "Even if we do not increase dollars spent, if we build new customer relationships and friends in a down market, when people are ready to spend, they will come back to us." $

by Kristen Hampshire

EQUIPMENT: Work It Full-Time

Curbing frivolous expenditures, landscape contractors will study equipment utilization before purchasing new machines.

How would you like to boost productivity 20 or 30 percent? Jim Huston has advised landscape business owners they can achieve this simply by making use of the right equipment in the field. "Study your equipment and its productivity," emphasizes Huston, president, J.R. Huston Enterprises.

Concentrate on equipment utilization. How many hours will you really clock on that new machine? Can you ride out that truck for another year? These are some of the questions landscape contractors ask themselves while considering equipment purchases for 2009.

TAKE A WAIT-AND-SEE APPROACH. While some survey respondents said they will not add to their fleets this year, investing more in repairing and upkeep as well as renting pieces as needed before buying, others will buy equipment as necessary.

Because Douglas Freer likes to maintain a consistent fleet, he will curb equipment purchases. "We may have more frustration at the moment because of parts availability and older equipment, but we are looking for alternatives to delay the expense," says Freer, president of Lawn Lad in Cleveland Heights, Ohio, adding that he will invest more in routine and preventive maintenance.

Cutting the equipment spending budget by two-thirds will also "tighten the belt" at ISS Grounds Control in Phoenix, Ariz. "Only when we sell new work will we staff that new work with equipment," says Dale Micetic, president. "It's a shame because now is the time to buy vehicles," he adds, remarking on the car lot deals he sees advertised weekly. But he won't tap into a line of credit for the purchase. "If you can save your interest expense, that will go a long way toward helping the bottom line."

On the other hand, Stephen Hazeltine, president, Hazeltine Nurseries, Venice, Fla., has his eyes on eight to 10 pieces of equipment he wants to add to his fleet this year.

HOW HARD DOES YOUR EQUIPMENT WORK? A quick glance at the P&L equipment category doesn't tell the whole story. Equipment includes everything associated with machines, Huston says. Figure in equipment expenses, such as fuel, repairs, mechanics, depreciation and insurance. The P&L in this report separates gas/oil expenses into a different line item.

The expense deserves its own line in light of rising gas prices that most landscape contractors identify as one of this year's key challenges. ISS Grounds Management's gas bill reached $1.3 million by October, a 33-percent increase compared to 2007. "We're working hard to monitor fuel usage, reexamining our scheduling and how we route trucks, and looking aggressively at people who could be stealing fuel," Micetic says. Tracking fuel consumption is critical, especially in dire times where people are tempted to take advantage of a company gas card for personal use, he notes.

As for rentals, setting a benchmark is challenging, Huston says. The rent-or-own decision depends on a company's strategy, and whether a company can give equipment a full-time job.

This year, Dave's Landscape Management Co. in Hudson,

PURCHASE PREDICTIONS

How do you project your annual equipment purchases/leases will change this year?

		REGION:			RESPONDENTS WITH REVENUE:			
EQUIPMENT TYPE	All Respondents	S/SE	NE/MW	W/SW	Less than $100k	$100-$299k	$300-$399k	$1 million-plus
Tractors								
Increase	11.5%	9.8%	12.3%	13.8%	11.5%	6%	15.7%	15.3%
Decrease	4.5%	6.2%	4.1%	1.2%	2.6%	5.2%	5.6%	6.9%
No change	84%	84%	83.6%	85%	85.9%	88.8%	78.7%	77.8%
Riding mowers								
Increase	33.3%	36.8%	29.7%	33.7%	31.6%	36.7%	25%	42.3%
Decrease	4%	4.8%	4.7%	1.2%	4.3%	3.3%	3.4%	5.6%
No change	62.7%	58.4%	65.6%	65.1%	64.1%	60%	71.6%	52.1%
Trucks								
Increase	18.5%	18.2%	22.3%	22.7%	18.3%	15.1%	21.2%	25.6%
Decrease	8%	8%	5.2%	4.9%	8.1%	5.8%	5.4%	4.6%
No change	73.5%	73.8%	72.5%	72.4%	73.6%	79.1%	73.4%	69.8%
Walk-behind mowers								
Increase	32%	29.6%	28.4%	43.5%	30.9%	32.8%	33.7%	32.9%
Decrease	3.8%	4.4%	3.7%	2.4%	2.4%	6.7%	3.5%	2.8%
No change	64.2%	66%	67.9%	54.1%	66.7%	60.5%	62.8%	64.3%
Hand-held equipment								
Increase	51.7%	50%	53.6%	51.1%	49.3%	57.9%	44.9%	56.9%
Decrease	3%	4.3%	2.5%	1.2%	2.4%	5.7%	3.4%	0%
No change	45.3%	45.7%	43.9%	47.7%	48.3%	36.4%	51.7%	43.1%
Utility vehicles								
Increase	12.8%	12.2%	11.9%	16.9%	8%	17.7%	10.6%	20.5%
Decrease	2.6%	3.7%	2.2%	1.2%	2.2%	2.7%	3.5%	2.8%
No change	84.6%	84.1	85.9%	81.9%	89.8%	79.6%	85.9%	76.7%
Trailers								
Increase	29.2%	23.2%	32.7%	35.3%	26.9%	33.6%	31.9%	26%
Decrease	4.5%	7.3%	2.5%	2.3%	2.4%	6.2%	5.5%	6.9%
No change	66.3%	69.5%	64.8%	62.4%	70.7%	60.2%	62.6%	67.1%
Skid-steer loaders								
Increase	15.2%	14.5%	16.8%	16.1%	11.3%	13.5%	10.8%	21.3%
Decrease	3.6%	3.2%	3.3%	3.6%	1.4%	3.8%	3.8%	5.3%
No change	81.2%	82.3%	79.9%	80.3%	87.3%	82.7%	85.4%	73.4%
Compact utility/mini skid-steer loaders								
Increase	12.1%	10.2%	12.4%	16%	9%	13.4%	10.7%	18.8%
Decrease	2.6%	2.6%	1.7%	5%	1.6%	3.6%	3.6%	2.9%
No change	85.3%	87.2%	85.9%	79%	89.4%	83%	85.7%	78.3%
Sprayers								
Increase	23.4%	24.6%	20.7%	27.4%	22.7%	27.2%	23.6%	18.3%
Decrease	2.7%	4%	1.6%	2.4%	3.4%	3.5%	2.2%	0%
No change	73.9%	71.4%	77.7%	70.2%	73.9%	69.3%	74.2%	81.7%
Spreaders								
Increase	17.9%	20.3%	12.2%	24.4%	15.8%	16.7%	25.3%	16.7%
Decrease	4%	4.6%	3.1%	4.9%	4.1%	4.4%	5.7%	1.4%
No change	78.1%	75.1%	84.7%	70.7%	80.1%	78.9%	69%	81.9%
Computers/laptop								
Increase	26.6%	25.5%	23.5%	37.2%	19.2%	26.7%	29.1%	43%
Decrease	3.9%	5.5%	2%	4.7%	3.5%	5%	2.3%	5.1%
No change	69.5%	69%	74.5%	58.1%	77.3%	68.3%	68.6%	51.9%

EQUIPMENT INVENTORY

How many pieces of different equipment types do you own and lease?

EQUIPMENT TYPE	RESPONDENTS WITH REVENUE: All Respondents		Less than $100k		$100-$299k		$300-$399k		$1 million-plus	
	Own	Lease	Own	Lease	Own	Lease	Own	Lease	Own	Lease
Tractor	0.8	0.1	0.3	0	1.1	0	0.9	0	1.8	0.4
Riding mowers	2.3	0	1.6	0	1.5	0	2.0	0	5.4	0.1
Trucks	4.7	0.3	1.3	0.5	3	0.1	5	0.2	14.9	0.1
Walk-behind mowers	2.5	0.1	1.9	0.2	1.5	0	2.1	0	6.1	0
Hand-held equipment	11.4	0	5.5	0.1	9.5	0	10.3	0	29.5	0.1
Utility vehicles	0.9	0	0.2	0	1.5	0	0.7	0	1.8	0
Trailers	2.9	0	1.8	0	2.8	0	2.9	0	5.8	0
Skid-steer loaders	0.5	0	0.1	0.1	0.3	0	0.6	0	1.7	0
Compact utility/mini skid	0.4	0	0	0	0.8	0	0.1	0	0.7	0
Sprayers	2.5	0	1.7	0	2	0	2.8	0.2	5.1	0
Spreaders	2.7	0	1.6	0	1.8	0	2.8	0	6.3	0
Computers/laptops	4.4	0	1.8	0	4.7	0	2.8	0	11.7	0

ANNUAL EQUIPMENT EXPENDITURES

What percent of your equipment expenditures are for the following?

RESPONDENTS WITH REVENUE:

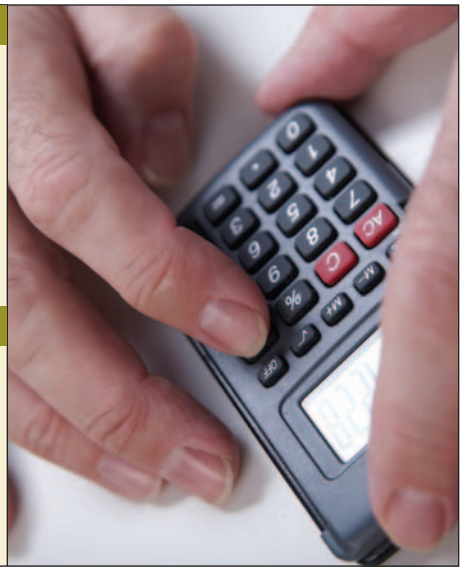
	All respondents	Less than $100k	$100-$299k	$300-$999k	$1 million-plus
Equipment	31.1%	33.3%	30.4%	29.8%	28%
Service	21.1%	19.6%	22.4%	25.7%	17.8%
Parts	15.4%	16.1%	15.7%	15.4%	13.7%

PLANNING PURCHASES: DO YOU STICK TO BUDGET?

What percent of your equipment needs are planned vs. unplanned?

RESPONDENTS WITH REVENUE:

	All respondents	Less than $100k	$100-$299k	$300-$999k	$1 million-plus
Planned	60.6%	58.3%	56.5%	61.2%	65%
Unplanned	39.4%	41.7%	43.5%	38.8%	35%



Mass., purchased three new trucks for $86,000, new mowers for $32,000, used equipment at $11,000 and trailers for $18,000 to service a new customer base, following an acquisition.

Dave's Landscape figures cost-per-hour for equipment on construction sites. Large machines like tractors and backhoes cost $43 per hour. The company figures this by adding up the cost to maintain and run the equipment during its useful life. Then, they divide that total by the number of years and number of hours per week machines will be used. An easier way to estimate equipment cost per hour is to place a call to the local equipment rental shop. Find out the retail rental fee for the machine, then divide the cost by the number of hours you will use it on the job. Add 15 to 20 percent to the equipment cost per hour to allow for profit.

To cover costs, "equipment is billed out at an hourly rate as if it's an employee," says Jeanne Lapidas, controller at Dave's Landscape Management Co. in Hudson, Mass. Maintenance equipment, such as a large leaf vacuum, is recovered at the $46 per hour rate. For mowing jobs, equipment like mowers is not billed out separately. "That cost is included in the price per hour for each job," Lapidas explains. But extras, like that large leaf blower, are added to the job cost so the company recovers the burden.

COVER YOUR EQUIPMENT COSTS. Review financials regularly, Huston advises, to ensure profits aren't sinking into an equipment fleet that isn't "billing out" enough to recover the expense. $

A LOOK AT LABOR – YOUR LARGEST EXPENSE

Take a close look at your P&L statement. The majority of expenses support your labor force in some way. Investing in talent may be your 'best buy' in a bad economy.

Labor is your greatest investment. All told, the resources you provide employees through training, quality equipment, insurance and benefits add up to a hefty tab. Then there are office supplies, computers and software to support labor – and gas, uniforms and cell phones. Nearly every business expenditure supports employees, who service customers.

Labor is a commitment. And it represents a significant line item on the P&L statement: one-half of total overhead costs, according to Jim Huston, president, J.R. Huston Enterprises, Geyersville, Calif.

And there are inevitable pains, namely the challenge of recruiting talented workers and retaining them in an industry with a wage that lags behind trades like carpentry, plumbing or electrical work, points out Dale Micetic, president, ISS Grounds Control, Phoenix, Ariz.

"Our guys get hijacked into the higher-paid trades," Micetic says. "Many times we've seen our guys working for an electrician three days later on a commercial site. I don't know too many landscape companies that will pay $40 for a laborer."

WAGE WATCH. According to the *Lawn & Landscape* survey, the average entry-level mower operator wage is $8.80 per hour. Crew supervisors earn $14.30 to $16 per hour, depending on whether they go to work at a small or large firm.

While some companies, like ISS Grounds Control, increased wages this year to attract workers, "this hasn't affected the flow of applicants," Micetic says. That flow is more like a trickle.

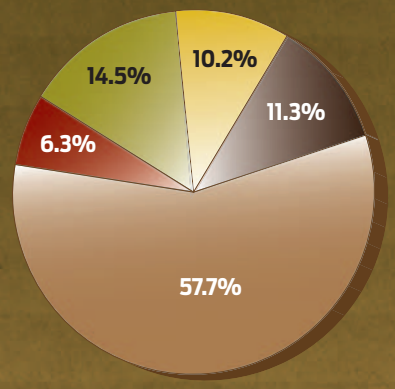
On the other hand, Stephen Hazeltine says labor is the only steady aspect of his budget. While the president of Hazeltine Nurseries in Venice, Fla., struggled to attract labor five years ago, he no longer competes with the construction trade due to the sluggish housing market.

As for figuring the appropriate P&L labor ratio, that depends on the services your company provides, Huston says. Maintenance companies' labor ratios are 35 to 45 percent. The benchmark for design/installation firms is closer to 20 percent, give or take. Companies that perform equal amounts of maintenance and construction can plan on labor as 30 to 32 percent of total expenditures, Huston says.

Subcontractor ratios are completely variable, Huston adds, suggesting a 15 to 20 percent mark-up on man-hours to realize profit. "Just make sure you cover the costs," he warns.

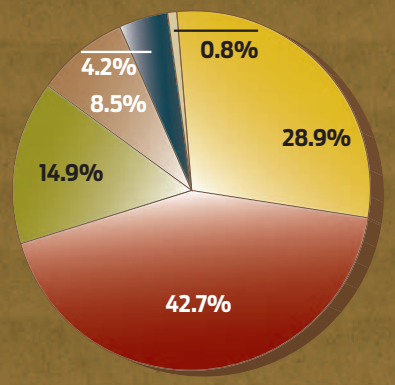
ALL IN A DAY'S WORK

What is your company's standard work week?



5 days	57.7%
4 days	11.3%
Other	14.5%
Less than 4 days	10.2%
5 days, planning to change	6.3%

How many hours per week on average do you work during the season?



40-44 hours	42.7%	50-54 hours	8.5%
Less than 40 hours	28.9%	55-60 hours	4.2%
45-49 hours	14.9%	60+ hours	0.8%

WAGE & COMPENSATION REPORT

Search for your company revenue bracket and region and see where you stack up against the competition.

EARNINGS PER HOUR: HOW MUCH DO YOU PAY?

	TOTAL:	BY REGION:			BY REVENUE:			
	U.S. Average	S/SE	NE/MW	W/SW	Less than $100k	$100-$299k	$300-$999k	$1 million-plus
Entry-level mower operator	$8.80	$9.00	$8.90	$8.40	$8.60	$9.10	$9.10	$8.80
Senior-level mower operator	$11.60	$11.40	$12.10	$10.60	$10.70	$12.20	$11.90	$12.00
Entry-level spray technician	$9.00	$8.90	$9.50	$8.30	$7.10	$9.60	$9.30	$10.30
Senior-level spray technician	$12.50	$12.30	$13.20	$11.90	$9.50	$13.90	$13.10	$14.10
Entry-level irrigation crew member	$7.70	$8.70	$5.90	$8.30	$3.80	$9.50	$8.40	$9.00
Senior-level irrigation crew member	$11.20	$12.50	$8.70	$12.00	$5.80	$13.60	$11.50	$14.10
Entry-level laborer	$8.80	$8.90	$9.00	$8.30	$7.80	$9.60	$8.90	$9.40
Senior-level laborer	$11.70	$11.50	$12.10	$10.90	$9.90	$13.10	$11.60	$12.10
Crew foreman/supervisor	$14.70	$14.10	$15.30	$14.50	$12.80	$15.40	$14.90	$16.00
Field supervisor/account manager	$16.10	$18.90	$14.00	$14.60	$12.60	$20.50	$13.80	$20.20
Equipment mechanic	$14.30	$15.70	$13.30	$13.40	$8.00	$22.70	$13.20	$16.10
Landscape architect/designer	$21.70	$23.70	$14.10	$40.10	$16.60	$37.60	$14.90	$15.70
Salesperson	$11.20	$14.60	$7.40	$12.80	$5.20	$17.00	$10.80	$16.00
Operations manager/vice president	$15.90	$18.80	$13.00	$16.40	$6.00	$28.40	$14.70	$23.00
President/CEO/Owner	$33.90	$28.10	$35.30	$44.00	$28.40	$34.00	$30.20	$62.20

Key: S/SE=South/Southeast; NE/MW=Northeast/Midwest; W/SW=West/Southwest

BENEFITS: PAID DAYS OFF

How many paid days off does your company provide to employees?

DAYS	EMPLOYEE TYPE: Seasonal/ Hourly Labor	Salaried	Exec./Mgmt.
Vacation	3.7 days	4.9 days	6.8 days
Personal	1 day	1.7 days	2.1 days
Sick	1.2 days	2.1 days	2.4 days
Holidays	3.1 days	3.8 days	4 days

BENEFITS: OTHER

Which of the following does your company provide?

BENEFIT	EMPLOYEE TYPE: Days/Seasonal Hourly Labor	Salaried	Exec./Mgmt.
Health insurance	13.5%	16.7%	20.7%
401(k)	7.1%	9.7%	10.6%
Profit sharing	3.6%	6.6%	8.2%
Cell phone	20.5%	24.5%	28.5%
Holiday bonus	31.3%	22.7%	21.7%

BENEFITS & PERKS. Health insurance costs are less of a burden on large entities with buying power. ISS Grounds Control cuts 800 regular paychecks; health insurance is 2 percent of its revenue. Last year, the company spent $1 million on health insurance for employees who pay 20 percent of their deductibles. An owner-controlled insurance program helps manage rising costs.

In Massachusetts, Dave's Landscape is required by the state to provide health insurance – all businesses with 11 or more full-time employees must offer the benefit and pay a portion of it, otherwise suffer a $300 fine per employee. The company will pay 50 percent for an individual employee, "and most cannot afford to pay that individual premium," says Jeanne Lapidus, company controller. An employee's portion is $250 for individual coverage.

According to a 2007 Kaiser Family Foundation report, one of the many reasons an individual may be uninsured is because the employee decides the health insurance offer is too expensive. Meanwhile, a 2008 Kaiser study showed average employer costs for health insurance per employee hour rose from $1.60 to $2.59 during 1999 to 2005. This 62-percent increase in cost per hour exceeds the 23-percent increase in average employer payroll costs for the same period.

Still, insurance offerings are a recruitment and retention tool, as are perks like yearly bonuses. Nearly one-third of seasonal/hourly labor receive an annual bonus, and 20.5 percent of entry-level workers have access to company cell phones. $