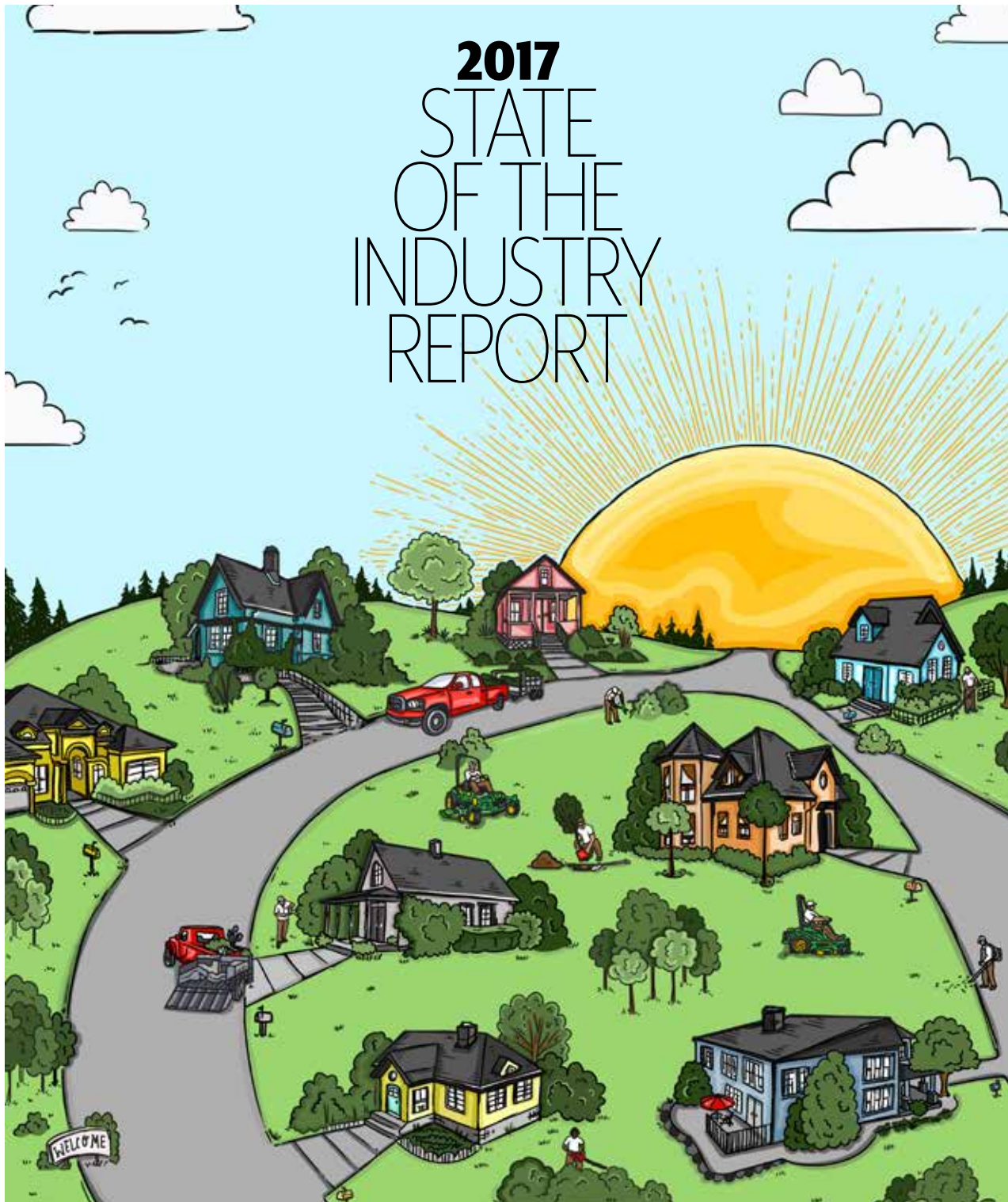


2017 STATE OF THE INDUSTRY REPORT



» **SPONSOR LETTER** | S2

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A SUPPLEMENT TO

Lawn & Landscape

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Innovative approach

WE KNOW MANY OF YOU STARTED your businesses with a truck, trailer, mower and most of all, a passion for creating, enhancing and maintaining outdoor spaces. From those humble beginnings, you have grown your business into a trusted brand within your communities.

Founded 180 years ago in 1837, John Deere started with one blacksmith driven by innovation, integrity, quality and a commitment to help his customers become more productive. Now, we're a company that employs more than 60,000 people, but we still maintain our core values and passion to help those with close ties to the land, including this great industry of landscape professionals.

Over the years, we've all experienced challenges and refined our businesses by moving and evolving with the times and taking advantage of new opportunities to build and grow our people and our brand.

Today, the landscaping industry is strong and there is anticipated growth in the foreseeable future, as reported by 94 percent of those surveyed for the State of the Industry Report. I've personally heard many of you comment that there is plenty of work and that the only factors limiting further growth are the availability of qualified labor and the rising costs associated with attracting and retaining quality workers.

As I talk with lawn care and landscape professionals, I also hear about optimism and focus. As reflected within this State of the Industry Report, 86 percent of those surveyed said they turned a profit last year, and 93 percent are confident that they will grow next year, but growth isn't always easy. Growth often calls for new and innovative approaches, and at John Deere we are committed to providing you with the support and business solutions to help you succeed.

Our commitment to your business goes beyond providing you with quality products through our experienced dealer network. The John Deere dealer is there to support your business needs after the sale with certified factory trained service technicians and knowledgeable staff. We have one priority: To ensure product uptime in the most responsive manner, because downtime is not an option when you are running a business.

Sustainable and profitable growth is important for all of us, and many opportunities lie ahead. There has never been a better time to clearly define your brand, and your offerings, which will lead to further growth for your business.

I wish you a safe and prosperous year! ●



KEN TAYLOR, CLP

Sales Manager
John Deere
Corporate Business Division



**TODAY, THE
LANDSCAPING
INDUSTRY IS
STRONG AND THERE
IS ANTICIPATED
GROWTH IN THE
FORESEEABLE
FUTURE.**



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Exclusively for new and existing ZTrak® 900 Series
B, E, M and R zero-turn mowers.***

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STEADY CLIMB

CONTRACTORS CONTINUE TO SETTLE BACK IN –

and then some – since the end of the Great Recession, making it another solid year for the green industry. Landscaping companies had a median revenue of \$291,000, which is up from \$256,000 in 2015 and \$217,000 in 2014. Slightly more contractors turned a profit in 2016 (86 percent) than in 2015 (84 percent) and 2014 (78 percent).

Landscape maintenance stayed the most profitable service offered, and it regained the top spot as the most popular service provided after losing that spot to lawn care last year.

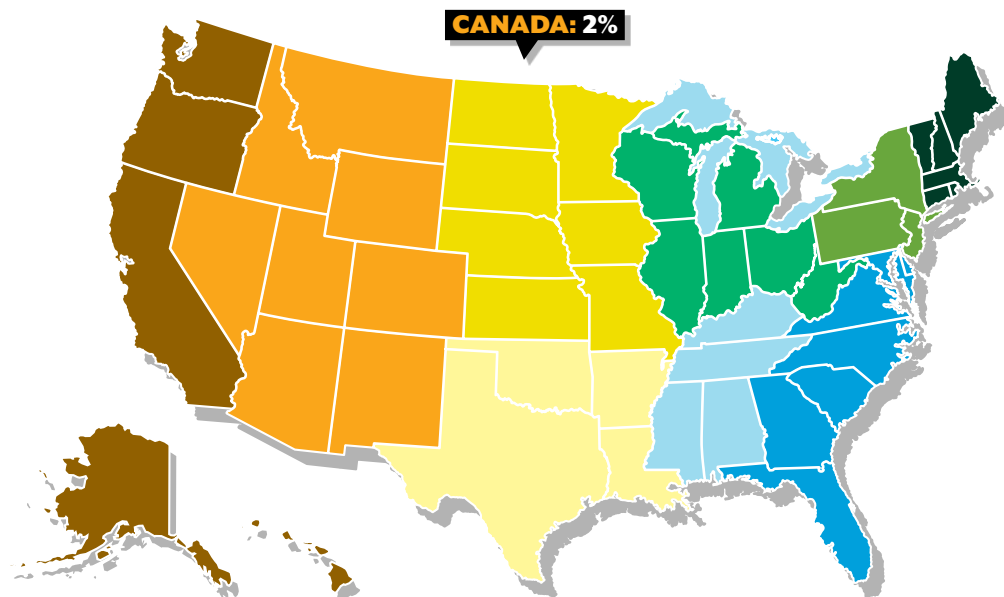
A lack of quality labor continues to be the top concern in the industry, especially for companies making more than \$1 million in revenue. On a 1-10 scale (10 being a major concern), those companies ranked hiring a 7.8, compared to the average ranking from all companies, which was 6.5.

Personal stress, low-ball competitors and high health insurance costs also ranked as major concerns for landscapers. Bad weather fell in the middle of the pack this year as a concern, though this survey was taken before the hurricanes in Texas, Florida and Puerto Rico.

But even with those concerns, respondents have a bright outlook on their companies and the future of the industry with 94 percent saying they are at least somewhat confident the industry will grow. When asked about the confidence in their company's growth, 93 percent had the same answer. – Brian Horn

» \$291,000

LANDSCAPING COMPANIES MEDIAN REVENUE
IS UP MORE THAN \$70,000 SINCE 2014.



IN WHICH STATE/PROVINCE IS YOUR COMPANY LOCATED?

NORTHEAST

New England: CT, MA, ME, NH, RI, VT	5%
Middle Atlantic: NJ, NY, PA	13%

MIDWEST

East North Central: IL, IN, MI, OH, WI.....	17%
West North Central: IA, KS, MN, MO, NE, ND, SD	11%

SOUTH

South Atlantic: DC, DE, FL, GA, MD, NC, PR/VI, SC, VA, WV	24%
East South Central: AL, KY, MS, TN.....	7%
West South Central: AR, LA, OK, TX	7%

WEST

Mountain: AZ, CO, ID, MT, NM, NV, UT, WY.....	6%
Pacific: AK, CA, HI, OR, WA.....	6%

APPROXIMATELY WHAT WAS YOUR LOCATION'S GROSS REVENUE IN 2016?



HOW MANY YEARS HAS YOUR COMPANY BEEN IN BUSINESS?

Fewer than 5

14%

5-9

12%

10-19

30%

20-29

25%

30 or more

18%



HOW OLD ARE YOU?

65 or older

8%

45-64

58%

25-44

32%

Under 25

2%



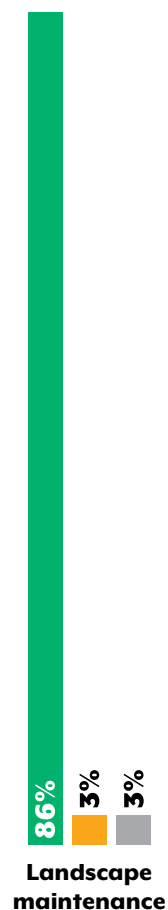
18 YEARS: THE MEDIAN NUMBER OF YEARS A COMPANY HAS BEEN IN BUSINESS

AT YOUR SE

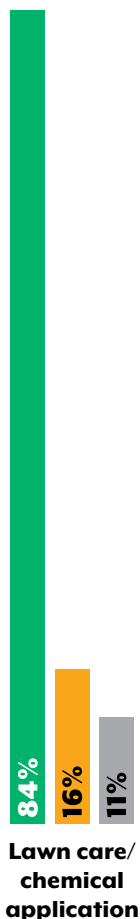
CONTRACTORS ARE GROWING THE SERVICES

they provide across the board compared to last year. **Maintenance** (79% last year) and **design/build construction** (71%) saw the largest jump while **lawn care** (82%), **tree and ornamental** (59%) and **irrigation** (44%) also saw slight increases. As far as what new services contractors are adding, design/build grabbed the top spot from last year's leader lawn care.

WHICH OF THE FOLLOWING SERVICES DOES YOUR LOCATION OFFER?



WHICH OF THE FOLLOWING NEW SERVICES DOES YOUR LOCATION PLAN TO OFFER NEXT YEAR?



WHICH SERVICES HAS YOUR LOCATION STOPPED OFFERING IN THE PAST THREE YEARS?



WHAT PERCENTAGE OF YOUR LOCATION'S 2016 GROSS REVENUE CAME FROM EACH OF THE FOLLOWING SERVICES?

LANDSCAPE AND MOWING MAINTENANCE

46%

LANDSCAPE DESIGN/CONSTRUCTION

23%

LAWN CARE/CHEMICAL APPLICATION

9%

SNOW AND ICE MANAGEMENT

7%

IRRIGATION INSTALLATION/MAINTENANCE/SERVICE

5%

TREES & ORNAMENTAL

4%

OTHER

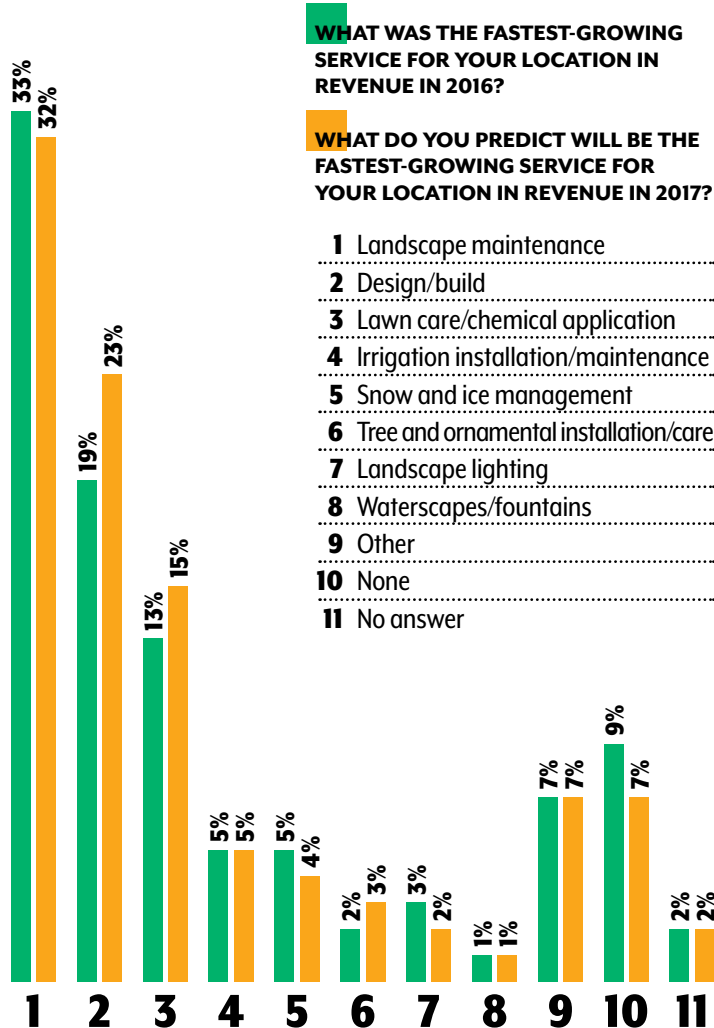
5%

WHAT PERCENTAGE OF YOUR LOCATION'S 2016 SALES CAME FROM EACH OF THE FOLLOWING PROPERTY TYPES?

SINGLE-FAMILY RESIDENTIAL	62%
COMMERCIAL/INDUSTRIAL	26%
MULTI-FAMILY STRUCTURES	7%
GOVERNMENT/INSTITUTIONAL	4%
OTHER	1%

75% OF RESPONDENTS WERE VERY CONFIDENT/CONFIDENT THEIR BUSINESS WILL GROW

RVICE



SURVEY METHODOLOGY

The survey sample of 8,501 was selected in systematic fashion by GIE Media and Readex Research. The sample represented 17,002 individuals at the time of selection. The survey ran from July 6-17 and the margin of error for percentages based on 521 landscape contractors/lawn care operators is ±4.2 percentage points at the 95% confidence level.

NEXT YEAR. 6% WERE NOT CONFIDENT AT ALL.

FUTURE FEARS

LACK OF QUALITY LABOR is still the top challenge contractors face this year and expect to face in the next three years. The good news is the concern is slightly down from our 2016 report. Last year, 45% of contractors responded that they were very concerned (scoring it as an 8-10) about the issue compared to 42% this year. In fact, all but one category showed less of a concern compared to our 2016 report – regulation of or ban on equipment noise/emissions rose from 17% in last year’s report to 18% this year’s report.

THE PERCENTAGES SHOW HOW MANY RESPONDENTS RANKED AN ISSUE AS A MAJOR CONCERN IN THE NEXT THREE YEARS BY SCORING IT AS AN 8, 9 OR 10.

- 42% QUALITY LABOR SHORTAGE
- 37% HIGH HEALTH INSURANCE COSTS
- 33% PERSONAL STRESS
- 33% HIGH WORKERS' COMPENSATION COSTS
- 32% LOW-BALL COMPETITORS
- 27% DIFFICULTY RAISING PRICES FOR WORK
- 25% HIGH FUEL PRICES
- 23% LOWER MARGINS AT WORK
- 21% REGULATION OF OR BAN ON PESTICIDE/FERT. USE
- 20% REGULATION OF OR BAN ON WATER/IRRIGATION

HOW WOULD YOU RATE YOUR CONCERN WITH EACH OF THE FOLLOWING ISSUES AND THEIR IMPACT ON YOUR LOCATION'S BUSINESS IN THE NEXT THREE YEARS? (10=VERY CONCERNED, 1=NOT CONCERNED)

6.5 QUALITY LABOR SHORTAGE	5.6 DIFFICULTY RAISING PRICES FOR WORK
5.9 PERSONAL STRESS	5.5 HIGH FUEL PRICES
5.9 LOW-BALL COMPETITORS	5.3 LOWER MARGINS ON WORK
5.8 HIGH HEALTH INSURANCE COSTS	4.9 REGULATION OF OR BAN ON PEST./FERT. USE
5.8 HIGH WORKERS' COMP. COSTS	4.8 BAD WEATHER



STATEWIDE SPOTLIGHT

HIRING CONTINUES
TO BE A MAIN CONCERN
IN THE INDUSTRY,
BUT OTHER ISSUES
ARE AFFECTING
CONTRACTORS AT
A REGIONAL LEVEL.

Story by
**Megan Smalley &
Lauren Rathmell**



LANDSCAPING BUSINESSES ACROSS THE COUNTRY

have reported that 2017 has been a good year for business, and many, such as **Steve Christy's LEI Corporation** in Boylston, Massachusetts, have experienced a substantial amount of growth. However, it's no surprise that labor has been the No. 1 issue for many in the industry. Aside from labor, which you can read about more on page S14, contractors and LCOs across the country talked with Lawn & Landscape to share what has affected their business most in 2017.

MIDWEST

HUNTLEY, ILLINOIS

**CHUCK STRADA, OWNER,
MY LAWN GUY CHUCK**

CONCERNS: LOW-BALL
COMPETITION, GROWING PAINS

SERVICES PROVIDED:
MAINTENANCE

COMPETITION IS GOOD FOR AN INDUSTRY, but

poor competitors can give an industry a black eye.

"It's nice to have competition, but today it seems like anybody can get a truck and a mower," says Chuck Strada, owner of My Lawn Guy Chuck, which serves as a lawn maintenance business to residential and commercial clients in northwest Illinois.

The past few years, Strada has seen quite a few "bad competitors" popping up to do business in Illinois. The state experienced a drought a few years ago. Once the drought ended, business boomed and new companies emerged. While Strada doesn't mind competition, the poor-quality service some of his competitors perform has hurt the landscaping industry in his area. It gives Strada

additional business from unsatisfied customers, but he noticed that the customers tend to have a poor perception of the industry after that type of experience.

"I've seen guys come in, undercut and don't do the job right. Then I come in to the client to do the job right and they already have a bad taste in their mouth about landscaping," Strada says. "I get so much new business from people who say, 'My landscaper won't return my call' or 'My guy moved back to another country.' That gives me a bad name when they do this."

Strada's Illinois-based landscape maintenance company is small, having only launched business about nine years ago. Although he wants to grow, he needs a business loan to invest in new equipment. "I'm at a point where in order to grow, I need a second crew, a second truck, a second mower. To grow, I need to take a loan, but I can't because it's much harder to get a loan as a small business."

My Lawn Guy Chuck is a two-man business that posted \$112,000 in revenue in 2016 and Strada anticipates that figure to increase for 2017.

IT'S NICE TO HAVE COMPETITION, BUT TODAY IT SEEMS LIKE ANYBODY CAN GET A TRUCK AND A MOWER."

CHUCK STRADA, OWNER, MY LAWN GUY CHUCK

TOPEKA, KANSAS

**DAVE JACKSON, OWNER, JACKSON'S GREENHOUSE
AND GARDEN CENTER**

CONCERNS: NEW BUSINESS, HEALTH CARE LAWS

SERVICES PROVIDED: DESIGN, INSTALLATION, LAWN CARE

AN AGING POPULATION OF BABY BOOMER CUSTOMERS

has been a major reason for increased business this past year for Dave Jackson of Jackson's Greenhouse and Garden Center in Topeka, Kansas.

With Baby Boomers approaching their 60s and 70s, many of them are turning to landscape contractors to perform residential landscape maintenance jobs. Jackson notes the population in Kansas is somewhat older compared with other states, as well, so he has received more calls from this population the past year.

While there's no shortage of business opportunities, Jackson says there are limits on how much individual landscape contractors can grow due to a tax increase in Kansas and impacts from the Affordable Care Act. In July, Kansas lawmakers passed a tax increase that repealed legislation that gave a 100 percent tax break to limited liability corporations, sole proprietorships and S corporations.

"Those of us incorporated in the state as an S corporation were exempt from state income tax since 2012," Jackson says. "The reason they did that was to stimulate business growth. What I had done before with the promise of now income tax was purchase new equipment, using our savings to defray the cost." He adds that the income tax regulation may impact his company's ability to grow.

Jackson also worries growth for him may be stunted temporarily because of the Affordable Care Act. "We're not taking any new customers because with our divisions, I have to stay under 50 employees because of Obamacare. If I go over that, Obamacare will kick in, which is not good in terms of cost – the enormous cost that Obamacare would saddle on my business."

Jackson's Greenhouse and Garden Center's primary focus is its nursery and greenhouse business, but the company dedicates about 10 percent of its business to design/build landscape services. The landscaping division achieved about \$150,000 in revenue last year, Jackson says. To date, it has reported higher profits in 2017 compared with 2016.

JACKSONVILLE, FLORIDA

**JIM HAWKINSON, PRESIDENT,
TLC TOTAL LAWN CARE**

CONCERNS: QUICK GROWTH,
BAD WEATHER

SERVICES PROVIDED:
LAWN CARE, MAINTENANCE,
INSTALLATION

IN NORTHERN FLORIDA,
TLC Total Lawn Care grew this year, but the growth wasn't easy.

"Things have been harder this year (compared to 2016)," says owner Jim Hawkinson. "We grew a lot so we are dealing with those growing pains."

TLC has been able to take on more clients so the company has seen an increased workload. Hawkinson says the workers have

been putting in a lot of hours and the company has had to spend more during the growth process, as well.

"We're balancing the work we're getting with the workers we have right now," he says. The low unemployment rate in the area has also slowed their ability to get good workers.

Weather in Florida hasn't helped businesses, either. Haw-

kinson says the weather has been terrible for business. A drought plagued the region in winter, and it dealt with an early heat wave until rain events occurred almost daily by summer. With rainy conditions most mornings, maintenance jobs quickly backed up.

"Everything grows fast and we run out of time to deal with it," he says.

TLC employs about 80 people,

WEST

RIPON, CALIFORNIA

AARON STEWART,
PARTNER AND VICE PRESIDENT
OF STEWART LANDSCAPE
MANAGEMENT

CONCERNS: MINIMUM WAGE
LAWS, WATER MANAGEMENT

SERVICES PROVIDED:
MAINTENANCE, INSTALLATION,
IRRIGATION, LIGHTING

➤ **ALTHOUGH HIRING IS THE NO. 1 CONCERN** for Aaron Stewart, partner and vice president at Stewart Landscape Management, minimum wage is a second concern. It jumped from \$10.50-\$12 in July and will be \$15 by 2021.

Stewart says his company pays more than minimum wage to secure employees, but the escalating minimum wage standards will put more pressure on his business. "Last year, it went up about 50 cents an hour, but it will start increasing \$1 an hour each time until it hits \$15," he says. "So, for us, we have to provide a service that warrants these (wage) increases to cover the labor and remain cognizant of our customer base. We always evaluate what we pay every year and increase as we need to."

With minimum wage standards rising, Stewart also anticipates hiring will become tougher. "We're not unique to this issue. Everyone is going through the same thing (in California), be it a landscape contractor, a carpenter or a farmer," Stewart adds

that he makes sure his pay remains competitive in order to attract and retain employees.

This past year also marked the end to a lingering drought that plagued most of California the past few years, thanks to a rainy winter season from January to April. While some pockets of California still have restrictions on water use, Stewart says most areas have lifted restrictions.

Reflecting on California's drought, he says it taught many in the industry ways to improve water management. "We saw a lot of conversions from overhead sprays to drip. We have seen more water-efficient sprinklers and lawn sprinklers installed. Smart controllers have been installed. One of the main things it did was it created a sense of urgency to aid broken sprinklers, and there was very little tolerance for runoff or water waste. You had to be service oriented, which isn't a bad thing."

Stewart Landscape Management, which employs 25 to 30 people, focuses on landscape maintenance, installation and irrigation jobs.

FORT COLLINS,
COLORADO

CARA DOYLE, OWNER,
SUMMIT HARDSCAPING

CONCERNS: LOCAL LEGISLATIONS,
NEW BUSINESS

SERVICES PROVIDED:
DESIGN/BUILD, HARDSCAPING

➤ **WESTERN LANDSCAPE CONTRACTORS** also express concern over other laws and regulations. Cara Doyle, owner of Summit Hardscaping in Fort Collins, Colorado, said a few legislations seem to be in the forefront of mind for her, including dust laws, silica rules and permeable paver percentages.

"Our city is trying to cut down on dust at construction sites, and we also get some neighbors upset when there's a lot of dust. Our crews are doing what they can to reduce this – wearing masks, running wet saws," Doyle says.

Like other regions, business also boomed this past year compared with 2016. More residential customers are looking for landscaping services. For Doyle, this means she can be more selective with the jobs and customers she takes.

"The quality of jobs is better," she notes. "We're getting to do the jobs we want to do versus when we were in the Recession, we were in survival mode." Instead of clients shopping for the best contractor, contractors are shopping for the best clients, Doyle says.



"WE'RE GETTING TO DO THE JOBS WE WANT TO DO VERSUS WHEN WE WERE IN THE RECESSION, WE WERE IN SURVIVAL MODE." CARA DOYLE, OWNER, SUMMIT HARDSCAPING

and its workers have had to stay later and work additional hours to play catch up. And with the company's primary clients being commercial, Hawkinson says it was harder to keep a flexible schedule when the weather didn't cooperate.

Still, with the growth they've experienced, he says the company plans to make \$6 million in revenue this year.

DAHLONEGA,
GEORGIA

SUZANNE BROSCHÉ,
OWNER, ART OF STONE GARDENING

CONCERNS: UNCOMFORTABLE
WEATHER, LABOR MARKETS

SERVICES PROVIDED:
HARDSCAPE INSTALLATION, DESIGN

➤ **IN GEORGIA,** Art of Stone Gardening has grown, but the region experienced extreme heat, making its work harder. The company does landscape installations with heavy stone work and masonry.

"We've doubled in size this year," owner Suzanne Brosché says. "Right now, we are about three or four months out on any new work." With business booming, Brosché says the only issue the company has had is finding and keeping employees.

Brosché wanted to focus efforts on hiring more women into the industry, but Art of Stone still experienced labor shortages.

"We're located about an hour out of Atlanta," she says. "So the market just isn't the same in the mountains."



**"I THINK THAT A
SMART BUSINESSMAN
WILL GIVE HIS
EMPLOYEES THE
BENEFITS THAT THEY
NEED TO ATTRACT AND
KEEP THEM ALREADY."**

**STEVE CHRISTY, PRESIDENT,
LEI CORPORATION**



BOYLSTON, MASSACHUSETTS

**STEVE CHRISTY, PRESIDENT,
LEI CORPORATION**

CONCERNS: LATE SNOW,
STATE REGULATIONS

SERVICES PROVIDED:
LANDSCAPE MANAGEMENT,
SNOW MANAGEMENT, DESIGN/BUILD



THE LANDSCAPING INDUSTRY IS BOOMING

— it's possibly the busiest that Steve Christy, president of LEI Corporation in Massachusetts, has seen it in 30 years.

"There are so many new office buildings, apartment communities, shopping centers, colleges, universities and distribution centers," he says. "All of these need to have their landscaping installed when they are built and they have to have their landscaping maintained and their snow plowed. It's a great thing."

LEI Corporation provides landscape maintenance and site construction like stonework and masonry to a mostly commercial client-base.

Late-season snow in the northeast made it hard for landscapers to get out and start their spring cleanups. And, after the snow, the area was deluged with six weeks of rain. Christy says the rain caused workers to miss quite a few days stretching into early June.

"With the late snow, it was hard to find people to

work. Our guys had to be putting in more overtime," he says. "And, we've had to make sure to properly communicate with our customers with all the rain."

On those rainy days, Christy says his employees take the time to work on their equipment and the company sometimes holds meetings or training sessions.

Christy says the industry in Massachusetts specifically has had to deal with regulations such as mandatory sick leave.

"It's been kind of a nuisance to us," he says. "I think a smart businessman will give his employees the benefits that they need to attract and keep them already."

Massachusetts' Earned Sick Time law mandates that employees must accrue at least one hour of sick time for every 30 hours worked. Employers with fewer than 11 workers are not required to offer paid sick leave, but those who employ more than 11 have to provide compensation. LEI employs over 100 workers and expects to do \$16 million in revenue this year, so this law would apply to the company.

WEST VIEW, PENNSYLVANIA

**SARAH RIZZITANO,
PRESIDENT, A&N LAWN SERVICE**

CONCERNS: SCHEDULE SETBACKS

SERVICES PROVIDED:
DESIGN/BUILD, MAINTENANCE,
LAWN CARE, SNOW REMOVAL



WET WEATHER CAUSED ADDITIONAL STRESS

for A&N Lawn Service in Pennsylvania. Sarah Rizzitano, president, says the company fell behind in its mulching services because of the rain.

"It took us a long time to finish our mulching services. Our customers don't want us mulching in the rain," she says. "And, most of them get the brown-dyed mulch, and the dye runs off in the rain."

Rain hit the Pittsburgh region in May, with nearly three rain events each week, Rizzitano says.

"We were still trying to get work done in the rain, but our capabilities were very limited," she says.

With the mulching services pushed back, work crews were still busy mowing in July, when Rizzitano says mowing typically slows down.

As a result, more crews had to be added to the mowing jobs so that lawns were being cared for efficiently. A&N plans to achieve around \$3.8 million this year, with higher profits than what was reported in 2016. ●



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LABOR

PA

FINDING AND KEEPING LABOR CONTINUES TO BE A PROBLEM, BUT THAT FACT HASN'T STOPPED

Story by **Lauren Rathmell**

MARK LEAHY AND HIS BROTHER, BRAD,

had to come to terms with the fact that they just weren't good at hiring people. Their company, Blades of Green, didn't use H-2B and they couldn't seem to get anyone in the door who would stick around. After looking at the numbers and realizing their retention rate was 35 percent, the Leahy's decided it was time to act.

So, they visited other companies that weren't having those labor issues, and they hired people to improve an area where they were weak. In the Leahy's case, it was forming a human resources staff, who possessed the skills to help bring in workers. Blades of Green needed employees who were willing to work with a growing business, as the company was experiencing annual growth rates of 25 percent.

The HR staff at Blades of Green is comprised of human resources manager, Angela Heironimus, and a part-time assistant. Together they developed a strategic protocol for potential employees.

Mark, president of the Edgewater, Maryland, business compares it to the way a company handles its sales program. They test their help wanted ads on job boards like Craigslist to find out what time of day will get the most results. They've set up an online application that helps them narrow down candidates before an interview and focus their job ads on company culture.

When Heironimus joined the company in 2015, the retention rate had already improved from 35 percent to 50 percent. But it continued to rise with her involvement, and in September of this year, the retention rate for employees was at 80 percent – hitting the Leahy's long-term goal.

"When you're running around trying to run your business, it's hard to find the time for hiring," Heironimus says.

The unique approach to hiring at Blades of Green begins with the job ad. If someone is searching a job site, a Blades of Green ad will say something like "Do you want a career?"

The ad then leads to a pre-screening questionnaire that will auto-reject an applicant based on the answers. Once the applicant fills out the entire form, the information will either be sent to Blades of Green, or essentially kick the person off the questionnaire site. Approximately 25 percent of the applicants are auto-rejected, and Heironimus looks at that as having saved 25 percent more time.

Blades of Green is now nearly fully-staffed with 67 employees, and 26 of



77 PERCENT

The amount of respondents who believe a lack of quality employees hinder their location's growth. 34 percent believe that it hinders a lot.

INS

SOME CONTRACTORS FROM SEARCHING FOR THE BEST WORKERS.



6.5/10

When asked to rate on a scale of 1-10 (with 10 as a major concern) the concern with a number of industry issues, respondents ranked labor at the top with a score of 6.5. It was also at the top of those who score it 8-10 with 42 percent of respondents doing so.

Here's a breakdown by revenue of how companies ranked their concern over lack of quality labor:

LESS THAN \$300K

5.5/10

\$300K-\$999K

7.2/10

MORE THAN \$1M

7.8/10



them were hired just this year. The company credits that increase in part to widening its search from beyond the industry. For instance, someone with an HVAC background may be a good fit for pest control.

Heironimus says the company has also partnered with a program that helps veterans find jobs.

"Hiring vets is something we really try to do," she says. "Right now, about 20 percent of our staff is made up of military veterans."

H-2B WOES. Dave Peabody, president of Peabody Landscape in Columbus, Ohio, had to rely on a temporary staffing company to reach his full workforce of 150 employees.

"We applied for 50 H-2B workers before the cap increase," he says. "When the cap was reached to meet the 65,000 visa maximum, we were completely shut out of the H-2B program in the spring." In July, the U.S. Department of Homeland Security increased the number of H-2B worker visas allowed for the year.

The staffing company was not completely reliable, and workers weren't staying on long. Peabody found it hard to find workers with valid driver's licenses and solid background checks.

He expects the company to do \$10 million in revenue this year, despite the labor issues.

With labor shortages, he says it's been harder to compete with companies offering more money and companies that use informal ways to acquire their work force.

"This business is a profession," he says. "And I don't think a lot of people think that way. You have to run it like a business to get good results."

Peabody Landscapes ended up getting 21 H-2B workers to finish out the season.

DIFFERENT STATE, DIFFERENT PROBLEMS. Paul Wagner, president of FitTurf, which has two locations in near Denver and two near Detroit, noticed that different locations come with different problems when it comes to his work force.

The company, which specializes in turf fertilization, has about 60 employees. Wagner says the stability of his employees is better in the Michigan compared to his Denver locations.

"The economy is a little bit more robust (in Denver)," he says. "So, it's hard to attract those workers."

According to the latest numbers released in April, Denver's unemployment rate is around 2.1 percent compared to Detroit's 8.4 percent rate.

He says FitTurf is constantly hiring, but its core

office staff remains stable. To keep a good retention rate, Wagner says that benefits are key. High competition for labor in the Michigan area prompted Wagner to extend incentives to his employees, like perfect attendance rewards.

"We try to pay more and offer more for our employees," he says. "However, we know we can realistically only pay so much."

RAISING WAGES. In order to compete with other businesses in the labor market, some companies have had to explore raising wages, which often means raising their prices.

Wagner says he has built relationships with his customers, so he knows how much he can raise prices without getting cancellations. "You get what you pay for," he says. "My customers know the type of service they get and they are willing to pay for that."

Wagner also pays slightly above the average wage for the area and includes a sales commission.

Drewe Schoenholtz, president of The Green Scene in New Jersey, says his newest employee started with the landscape design/build firm eight years ago.

The company doesn't do maintenance, so his workers are skilled in areas like hardscaping and landscape installation.

Schoenholtz has been in the industry for 43 years, and credits the longevity of his employees to offering good incentives and benefits, like full health insurance.

"Because we don't do mowing and trimming and all that, I need good skilled workers," he says. He's always paid his workers above the industry average, too.

The team recently celebrated a 30-year anniversary for one of its workers. "We're kind of a big family," he says. ●

HEALTH VS. WEALTH



CONTRACTORS WEIGH THE POSITIVES OF OFFERING HEALTH CARE COVERAGE AGAINST THE COST OF IT.

Story by
Catherine Meany

SEVERAL YEARS AGO, A VALUABLE PART-TIME EMPLOYEE

came to Parkway Lawn Service CEO Bob Kroth with an ultimatum. The employee told Kroth he was putting in his two-weeks notice to leave the Minnesota company for another that was offering health insurance. Not wanting to lose this key employee, Kroth turned to his health insurance company to add the employee to the deal, only to find out that the coverage could only be applied to full-time workers.

“I thought it was very strange, but I talked with our broker and he said that’s basically what any insurance company would tell us,” Kroth says.

Kroth ended up keeping the employee by giving him both full-time hours and insurance coverage. But, like so many other landscaping employees in the industry, the caveat is that 90 percent of his staff that are on call throughout the winter season remain ineligible.

CAN HEALTH CARE BOOST RETENTION?

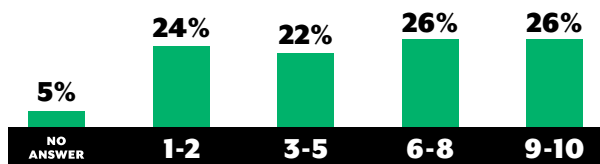
Some business owners, like Barry Denton of Denton’s Landscaping and Nursery in Arkansas, believe offering health insurance may help attract a higher quality job candidate and may even encourage them to stay.

“In the type of work we have, we seem to get a lot of people who don’t stick with it a long time. It might help to offer health care or some other benefits as well. I’m sure Obamacare/Trumpcare



HOW WOULD YOU RATE YOUR CONCERN WITH HIGH HEALTH INSURANCE COST AND ITS IMPACT ON YOUR LOCATION'S BUSINESS IN THE NEXT THREE YEARS?

(10 being very concerned and 1 not at all concerned)



BY REVENUE
(6-10 concern)

< \$300,000
46%

\$300K-\$999K
53%

> \$1 million
68%

has factored in with potential employees whether to take our job or another job," Denton says.

Denton's company doesn't currently offer health insurance, but the company has recently added a nursery division that brought its employee totals to four full-time and four part-time employees, he says.

"I know health insurance is something that some of them might be interested in and something that we would definitely need to offer in the future if we continue to grow like we want to," Denton says.

For other businesses, offering health care doesn't seem to be worth the cost. A & J Complete Lawn Care in Red Bluff, California, uses a temp agency to handle payroll,

workers' compensation and health insurance for its three full-time employees, including owner Jeff Sybrant and his wife.

"Offering health insurance might attract a higher quality candidate but I don't know that it would keep them around," he says. "If you don't have the passion for working outside and doing lawn care, its not going to last."

Rusty Ruckstuhl, president of Grass Roots, estimates just two out of 30 landscaping companies in his city of Lafayette, Louisiana, pay for employee health care. Grass Roots has offered health insurance for 15 years through Blue Cross Blue Shield. Currently, his 16 employees all take advantage of the insurance. Ruckstuhl finds that it makes a big difference in employee retention.

"I have three key people who have been here a long time and they would not be here if I didn't offer health care," he says.

FACING THE COST FACTOR. Ruckstuhl decided to offer health insurance after 22 years in business when it was put to a vote in the company's profit-sharing program. "It comes out of the bottom-line profits. It's one of the biggest line item expenses that we have," he says.

When the Affordable Care Act was introduced, Grass Roots was grandfathered into its coverage options with Blue Cross Blue Shield. While the company's deductibles and preferred provider organization all remained the same, Ruckstuhl has noticed a steady increase in rates ever since.

He currently pays \$6,000 a month to insure employees only. Employee dependents can be added to the plan, but the company does not cover that cost.

"We probably average 42 years in age for our whole company. Anybody over 40 or 50 it's almost a necessity now," he says.

UTILIZING RESOURCES. Both Ruckstuhl and Kroth use an insurance broker to navigate the insurance market in their states and find them the best prices. Kroth suggests asking your liability or equipment insurance broker for a referral to someone who deals with health insurance.

"We were with Blue Cross Blue Shield, but we just had a conversation with our broker last month regarding our upcoming renewal in October and he shopped around and showed us

various plans. And as it turns out, Health Partners came in as the best price point," Kroth says.

Kroth pays about \$4,500 per month for health insurance coverage for five employees and five dependents, up 10 percent from previous years. The company's deductible has also increased from about \$3,000 per person or \$6,000 combined to \$3,500 per person or \$7,000 combined.

LEGISLATIVE INFLUENCE. After the ACA was rolled out, Ruckstuhl's discontent drove him to contact his state senator to voice his concerns.

"I rarely ever write in to my senator, but I did because I believe the laws need to change," he says. "Hopefully they will tweak what we have in place right now and make it so we can be able to go across state lines to buy insurance and make it a competitive market."

Kroth also finds issue with not only the Affordable Care Act, but also with local laws in Minneapolis.

The city recently passed legislation to raise the minimum wage to \$15 an hour, as well as legislation requiring employers to provide sick days, one hour for every 30 hours worked, and up to 48 hours a year.

"We were offering vacation and pay equal to or better than that, and we would oftentimes offer a few days paid leave if someone was sick or if there was a death in the family," he says. "But now that the city is requesting that of all employers, we don't have the one-up on our competitors."

In Lawn & Landscape's State of the Industry report survey, 52 percent of businesses with revenues \$1 million or more rated concern for high health insurance costs as an 8, 9 or 10, on a 10-point scale with 10 being very concerned. For businesses making \$300,000 - \$999,000, the number was 36 percent, and for businesses making under \$300,000, it was 31 percent.

To ease these concerns, contractors can consult a professional adviser to see if they qualify for tax credits or subsidies and use resources like the Small Business Health Options Program (SHOP) to find an insurance plan in their state.

"We would hope there is a fair cost option out there for a small business," Denton says. "I know that's getting harder and harder to find." ●

The author is a freelance writer based in Kentucky.



SOME BUSINESS OWNERS BELIEVE OFFERING HEALTH INSURANCE MAY HELP ATTRACT HIGH-QUALITY JOB CANDIDATES AND MAY ENCOURAGE THEM TO STAY.

Leasing: it could be for you and your mowing equipment

Perhaps you've reached the point in your commercial landscaping business where, due to growth of your company, your equipment expenses are growing as well. And you're spending more time and money on repairs and parts. Is there a better way than spending more and more on capital expenses like this?

You might be the perfect candidate for leasing your John Deere Commercial Mowing equipment.



	Z915E 25HP 48" Zero Turn Mower	
	Lease Option Example 0% for 36 Months[†]	Finance Option Example 0% for 36 Months[†]
List Price	\$8,379	\$8,379
GreenFleet™ Bonus ^{**}	\$700	\$700
Hours Per Year	400	400
Monthly Payment	\$152	\$213
Equipment Cost Per Hour	\$4.57	\$6.40
Cash Flow Savings	\$2,199	



Run smarter and harder

The idea that leasing costs more isn't necessarily true. At John Deere, our leasing options are a low-cost, low-risk alternative to purchasing equipment outright or taking on an installment loan. Leasing is not as complicated as it seems. And since it can help cash flow and reduce equipment downtime, it could help your business run smarter and harder than ever before.

With leasing, you'll see:



Lower Payments

Depending on the term, leasing offers lower payments than installment loans of the same term. So you improve your cash flow. It's also a less expensive and more efficient option to renting equipment multiple times a year.



Fixed Operating Costs

By and large, your leased equipment will be under warranty during the entire length of your lease. You'll be operating your equipment at the lowest cost per hour as well.



Reduced Downtime

It's fairly simple: with leasing, you're running newer equipment, so your machines are spending more time in the field and less time in the shop, especially with our loaner program! So your equipment will always be up and running.

[†] Example only. See your dealer for current programs, rates and other options. See your tax advisor for advice on tax impacts. Lease option is for Commercial Use Only. GreenFleet Level 3 Bonus. No down payment. \$7,679 total lease or finance amount 1200 hrs total / 400 hrs/yr for lease.

^{**} To be eligible for the offer, purchaser must be or become a GreenFleet member and meet qualifying purchase levels. Amounts shown above are based on Platinum Level 3 savings. Qualifying levels and savings will vary depending on the quantity and combination of equipment purchased. See complete membership information and discount details at JohnDeere.com/GreenFleet or a participating John Deere dealer. Offer ends 10/31/17.

[†] Programs available only at participating dealers and dealer participation will vary. Loaners used for commercial purposes provided within 24 hours. Some conditions and restrictions apply. See participating dealer for complete details and program offerings.

The Ultimate Forgiveness Program™

When you lease with John Deere, returning equipment is a breeze. We're experienced with helping you plan for a "no-surprises" lease return. Once you lease with us, we'll go over in detail what is considered normal wear and tear. This includes minor scratches or chips in the paint finish, engine and powertrain in good working condition; operating hours within the limits agreed to in the lease contract.

And when you continue to lease with John Deere, your leasing experience just gets better with our Ultimate Forgiveness Program. Here are the ways that your loyalty pays off by keeping your lease with us:



Hour Forgiveness*

If you should exceed your hour limit, you can have half of the excess hours forgiven if you lease another Commercial Mowing unit from us.



Rollover Hours*

If you end up using fewer hours than what your lease stipulates, we will give you a credit for the unused hours toward your next Commercial Mowing Lease.



Damage Waiver*

We know your equipment works hard, all day long. That's why we'll forgive up to \$250 of any damage/excessive wear and tear if you lease another Commercial mower from us.

Whether you decide if leasing or financing is right for you, there are special incentives available, including:

Flexible Payment Options

We understand your business fluctuates throughout the year, and as a dedicated partner we want to help alleviate stress. Through John Deere Financial, you can work with your dealer to set up a flexible payment plan. From setting up payment dates to coincide with other bills to setting up skip payments or seasonal payments to align with the periods in the year where your cash flow is lower, John Deere is dedicated to supporting your business.

Add-On Items

Consider other needs, like parts, handheld equipment and attachments, that John Deere allows you to wrap into your desired financing or leasing package and provides the most bang for your buck. Many customers do not realize routine maintenance can also be included. Your dealer will be able to help identify other additions, making it a one-stop solution.

Special Payment Offers

When speaking with your dealer, make sure to ask for any special payment offers. John Deere regularly offers special incentives, such as zero percent interest for a set duration of time, helping to save additional money. Your dealer will also work with John Deere Financial to ensure you are maximizing potential savings.

Commercial Loaner Program

John Deere eliminates the stress of downtime with its Commercial Loaner Program, which allows commercial customers to receive a loaner unit in the case equipment needs warrantable repairs. This program allows flexibility in keeping your business up and running, even when facing machine downtime.

* Limitations apply to Hour Forgiveness, Rollover Hours and Damage Waiver. See your dealer for details.
John Deere's green and yellow color scheme, the leaping deer symbol, and JOHN DEERE are trademarks of Deere & Company.



BEYOND REVENUE

LANDSCAPE CONTRACTORS ARE ON TARGET TO TURN A PROFIT IN 2017.

Story by **Holly Hammersmith** and **Megan Smalley**

LANDSCAPE CONTRACTORS WHO TURNED A PROFIT IN 2016 say they expect to end 2017 in the black and are hopeful this trend will continue. From a service that was unexpectedly popular, to new construction in their area, contractors discuss some of the reasons they were profitable, and when they usually turn a profit during the year.

SEAL OF APPROVAL. Landscape Artistry had an annual revenue of approximately \$341,000, which was an increase of about \$100,000 over the prior year – a higher-than-normal leap, says Paul Ruggiero, owner.

“Each year it seems to get a little bit better,” Ruggiero says. “I’m already up 11 percent (this year) over last year at this time. I know I have a couple of really good size jobs coming in. I’d

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say probably 20 percent, again, is what I'm hoping for." Landscape Artistry is a design/build company primarily providing hardscaping, along with a small amount of landscape installation and maintenance in the Stevensville, Maryland, area. Customers are mostly residential and all of the work is subcontracted out. Ruggiero is the only full-time employee.

Ruggiero has been in the industry for 20 years and started by offering landscape maintenance. He later began focusing on design/build. He hopes to earn \$400,000 in annual revenue in 2017 and bringing on a second subcontractor has helped with building revenue, he says.

When looking at his 2017 numbers, Ruggiero has already noticed an interesting trend. Revenue is up 966 percent with one service – cleaning and sealing of pavers.

"It seems like I'm the only company in my area that does cleaning and sealing of pavers," he says. "I'm not physically going after that market, but it just seems like that's taken off."

The cleaning and sealing jobs themselves are not the highest-paying, but Ruggiero says he has welcomed the uptick in calls for that service. In addition, he says planting almost always yields a strong profit margin.

"It's quick and easy. You get in, get out," he says. "Planting generally gets you like a 40 percent profit margin. As long as the plants don't die, you do pretty well."

Ruggiero says he also typically turns a profit in October of each year. When he started his company, the first year wasn't profitable due to the cost of equipment purchases. He later took on a partner, and it wasn't until about five years later that the company became profitable.

As far as next year, Ruggiero says new housing also continues to provide ample opportunities for work. "There's a lot of building going on in the area, so I would say all these people are looking to get outside, out back," he says. "I don't see it slowing down anytime soon."

14 YEARS AND COUNTING. At Browder-Hite in Belle Haven, Virginia, landscape maintenance accounts for the bulk of the jobs based on dollar volume. Maintenance, including mowing, accounted for 39 percent of sales in 2017 so far, says Benjamin Lewis, president. Next to that, landscaping has accounted for 23 percent of sales.

Browder-Hite is a full-service landscape company offering landscape maintenance, pool installation, irrigation work and more. The company employs 26 people and it serves residential and commercial customers. The company also operates a retail nursery.

"Maintenance is the bread and butter," Lewis says. "It pays the bills as we wait to get to that break-even point."

Lewis says his company did better in 2016 than in 2015, with an annual revenue of \$1.47 million in 2016, compared with \$1.1 million in 2015. "2016 was a big year for us, as far as gross revenue," he says. "Every year except for one, in the 14 years I've been in business, we've grown."

Despite some challenges with finding qualified personnel for open positions, Lewis says he sees 2017 ending successfully, too.

"Year to date right now, we're up 11 percent," he

says. "Middle of August last year compared to middle of August this year, we're up 11 percent. We're projecting \$1.5 million."

Lewis says his company typically moves to the black by mid-October.

His company has been profitable all 14 years since he started it, even though he started small with only \$110,000 in annual revenue the first year.

Browder-Hite is slated to break ground in November on the construction of a new office. Lewis hopes this new facility will help his company really stand out among the competition.

"I really think that that's going to bring a new level of excitement and attract a certain type of person to our business," he says.

One large commercial project with a new hospital contributed to Browder-Hite's bottom line in 2016 and will add to annual revenue in 2017.

Some of the revenue from the commercial project didn't flow in until 2017, so it will be part of the 2017 total revenue.

"We are in a rural area of Virginia. Those kinds of projects just do not come around often," Lewis says.

In addition, the opening of a garden center is expected to grow the company's revenue.

"(We are using the garden center) as a lever to gain brand recognition, get our name out there and project ourselves as landscapers," he says.

"Customers, as a whole, are not as afraid as they used to be to spend money for capital projects. We're getting ready to renovate the landscape at a local bank. In previous years, they shot down the prospects of doing that."

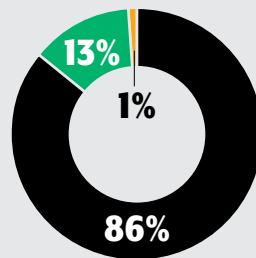
KNOW YOUR NUMBERS. For MSE Landscaping Professionals, 2017 marked a strong year for business. The California-based company even sought help from an outside firm to get a new perspective on its profitability this past year.

"We're a small business, and we're not accountants," says Mike Seymour, president of MSE Landscaping. "We understand numbers, but we wanted to be very intentional about analyzing our profitability."

MSE Landscaping has been in business



DID YOUR LOCATION TURN A PROFIT IN 2016?



- YES
- NO
- NO ANSWER

WHAT WAS THE MOST PROFITABLE SERVICE YOUR LOCATION OFFERED IN 2016?

LANDSCAPE MAINTENANCE
(MOWING, EDGING/TRIMMING,
PRUNING)

30%

DESIGN/BUILD SERVICES

25%

**LAWN CARE/
CHEMICAL APPLICATION**

15%

SNOW & ICE MANAGEMENT

9%

**IRRIGATION INSTALLATION/
MAINTENANCE/SERVICE**

5%

**TREE & ORNAMENTAL
INSTALLATION/CARE**

4%

LANDSCAPE LIGHTING

3%

WATERSCAPES/FOUNTAINS

1%

OTHER

6%

NONE

1%

NO ANSWER

1%

since 2007, and Seymour says the company has continued to grow since it started. The company has about 70 employees and makes about \$4.5 million in revenue.

MSE Landscaping serves customers in the San Diego and Los Angeles areas with divisions for landscape maintenance, landscape enhancement, design/build and urban tree management services.

Through the study, Seymour wanted to make sure all four of the company's divisions were profitable and that one single division wasn't the only moneymaker.

"We just finished and the result is that our net profit is 19 percent, which is outstanding," he says. This is up one percent from last year, where the company made a net profit of 18 percent.

The study showed that each of the four divisions was profitable this past year. He says its maintenance division was least profitable and its enhancement division was the most profitable.

Although MSE Landscaping's maintenance division had the lowest profits, that division managed to grow the most this past year. The maintenance division achieved about \$2.5 million in revenue by itself.

Seymour adds that when this division does well, it attracts more business to the company's enhancement and design/build segments.

Seymour raised prices the last couple of years as a result of new services offered and the escalating cost of living in California. This has shifted the clientele the company serves.

Today, MSE Landscaping focuses on serving customers willing to pay a little bit more for quality work. While the company faces additional costs such as higher minimum wage costs and surging insurance costs, profitability still increased a little because the company raised its prices.

"What's been interesting is regardless of what situation we face like a drought, that created a new market for us," he says. "Everything from drought-tolerant plant material to converting irrigation systems to drip irrigation. While our market has changed, revenue is still good as each of these challenges presented an opportunity." ●

Hammersmith is a freelance writer based in Ohio.
Smalley is an associate editor at Lawn & Landscape.