

BENCHMARKING YOUR BUSINESS



A SUPPLEMENT TO

Lawn & Landscape

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In This Together



Jamie Briggs

Director of Marketing
Exmark and Z Turf Equipment

WHEN THE GOING GETS TOUGH, THE TOUGH GET GOING.

You've probably heard this saying many times, but if there's one thing the past year has taught us, it's that the landscape industry is tough, and we're committed to moving forward together.

This year's Benchmarking Your Business report offers a rare glimpse into the different ways landscape industry professionals have adapted their businesses to thrive in the face of the rapidly evolving marketplace. We face many of the same challenges, and the perspective gained by learning how others have handled these challenges has never been more valuable than it is today. There are many pathways to success, so I hope the data in this report can help reveal new opportunities for you.

At Exmark and Z Turf Equipment, we're focused on increasing the profitability of your business by enabling each worker to accomplish more in less time. Exmark and Z Turf Equipment machines are designed for increased productivity and efficiency, with superior durability and reduced downtime. Plus, our industry-leading dealer network stands ready to provide service, parts and support you can count on to keep your machines running strong all season long.

For nearly 40 years, our goal has been to consistently exceed customer expectations. We highly value the relationships we've built with each of our customers over the years. Thank you to everyone that has put their trust in Exmark mowers and Z Turf Equipment lawn care machines. If you're not yet an Exmark or Z Turf Equipment customer, I'd like to invite you to visit your local dealer and learn more about the ways our equipment can make your business more profitable.

All the best in your 2021 season and beyond!

Best regards,

Director of Marketing
Exmark and Z Turf Equipment



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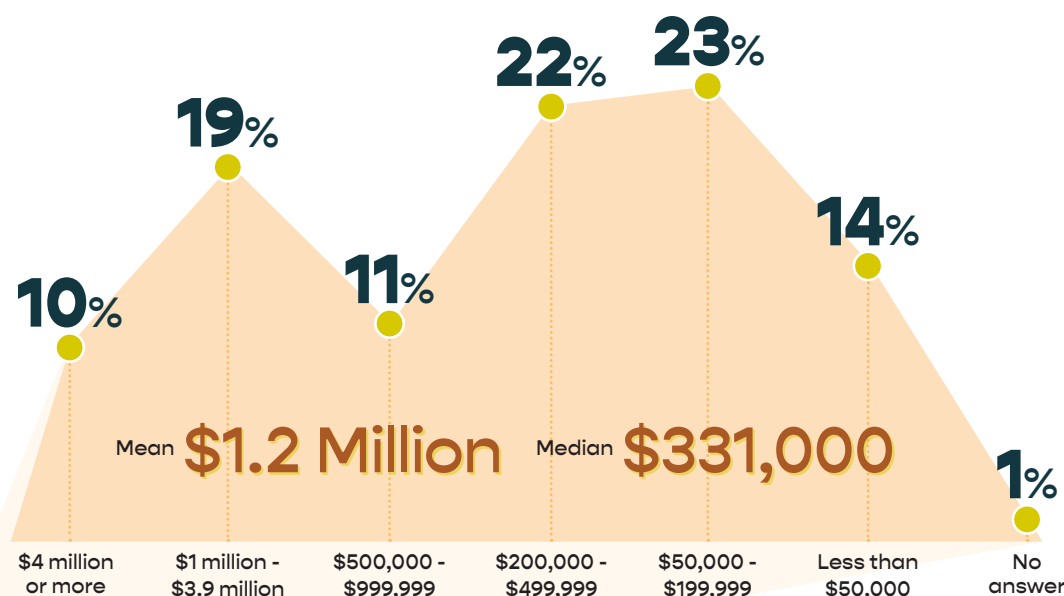
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Pay, Profit, Performance

It's been a few years since we last published our Benchmarking Your Business report, but with COVID-19 disrupting the world, it's a good time to check how the numbers look on a national level. We surveyed the industry on pay rates, profit margin and many other financial indicators. We've also revamped our Benchmarking Your Business tool to provide a place for you to enter your information and see how you measure against the industry. Visit bit.ly/lawnbenchmark to access the tool.

Approximately what was your location's **2020 gross revenue**?



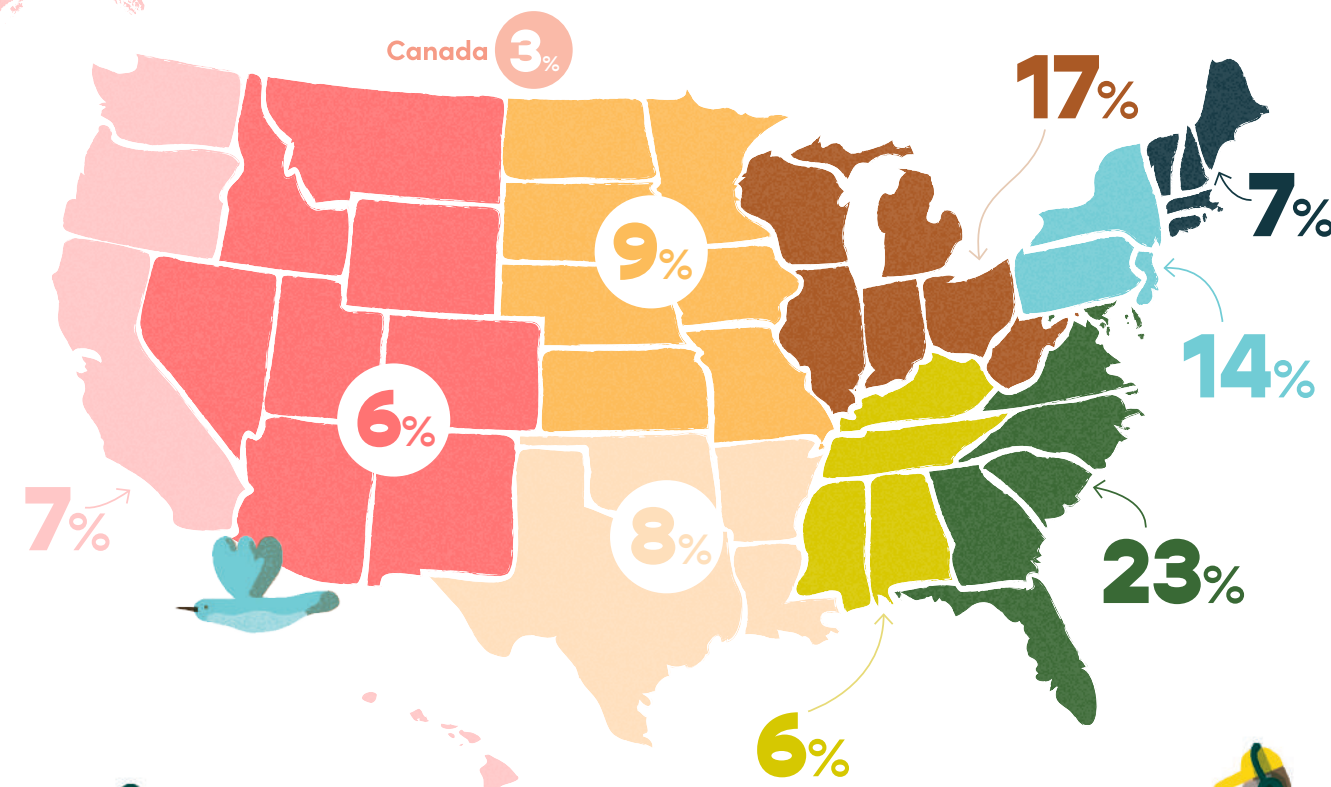
Approximately what percentage of your location's **2020 gross revenue** came from each of the following services?

*(residential and/or commercial)

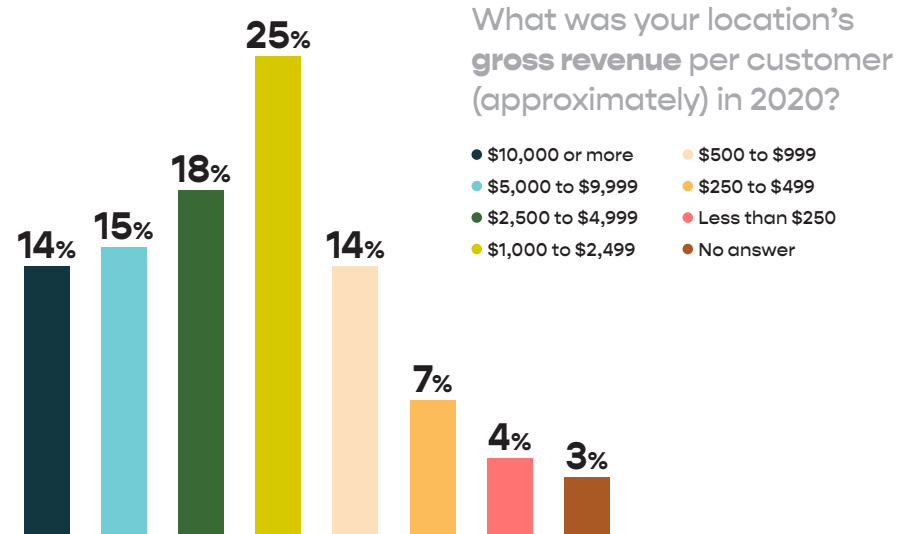
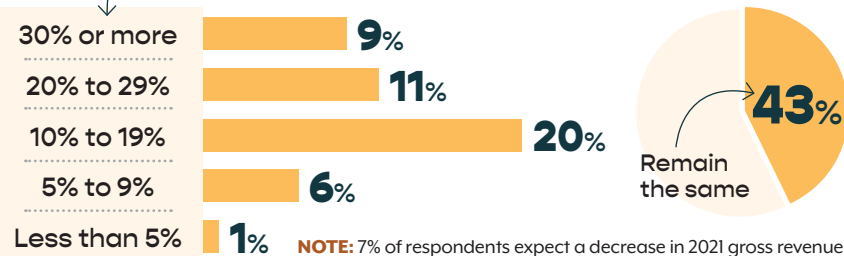
- 41%** Landscape maintenance*
- 22%** Landscape construction/design/build*
- 17%** Lawn care/chemical application*
- 7%** Snow and ice management
- 5%** Irrigation installation/maintenance
- 2%** Tree care

In which state/province is your company location?

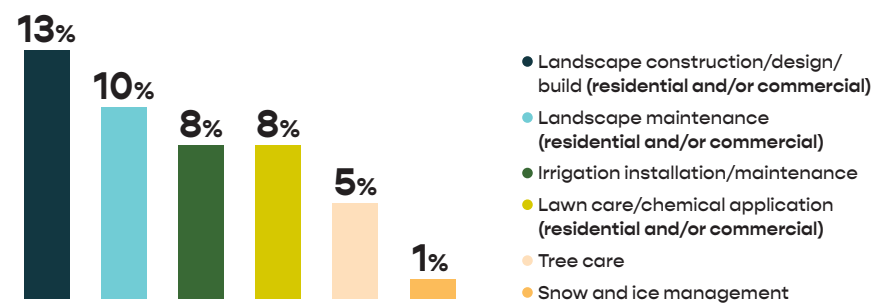
- | | | | |
|-------------------|----------------------|----------------------|-------------|
| NORTHEAST | MIDWEST | SOUTH | WEST |
| ● New England | ● East North Central | ● South Atlantic | ● Mountain |
| ● Middle Atlantic | ● West North Central | ● East South Central | ● Pacific |
| | | ● West South Central | |



Compared with 2020, how do you anticipate your location's **2021 gross revenue** will change?



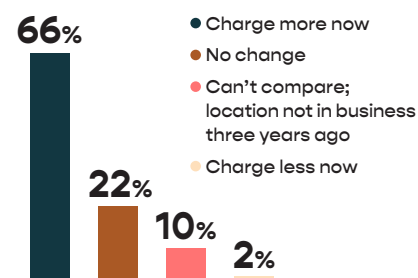
Compared with 2019, contractors said their 2020 total gross revenue increased by:



What does your location charge, on average, **per hour** for labor for each of the following services?



Compared with three years ago, how have your location's prices changed in general?



Pay IT OUT



Whether it's salary for employees or your slice of the profits, judging how to pay everyone on board can be tricky.

Story by **Jimmy Miller** × Illustration by **Beth Walrond**

Figuring out how much to pay your employees – and, for that matter, how to pay yourself – can seem like a delicate situation. How much is too little for new laborers? When is it time to give someone a raise so they don't jump ship and join another company? And how do you evaluate your own job performance to pay yourself accordingly?

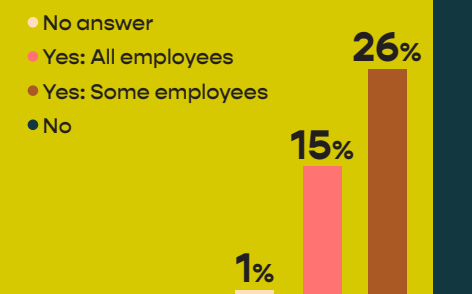
These are complex questions only further complicated by a global pandemic. And as landscapers nationwide refitted their trucks and restructured their companies to adjust for safety protocols, they also had to make on-the-fly decisions about payroll.

"In March and April, I was very frank with my staff. We had a huge project – the biggest commercial job that, in 18 years, we were ever going to undertake," says Benjamin Lewis, the president of Browder-Hite in Virginia. The project got tabled because the owners' funding source backed away due to the financial implications of COVID-19. "I thought, 'My goodness gracious, if this is the beginning of the year, I have no idea what this year will be like,'" he says.

For some, the adjustments were awkward – Lewis says his company enjoyed a great 2020, while at Clarke's Landscape Solutions, Jonathan Clarke says he suffered a 30% loss in revenue. Couple that with crews who didn't want to work, and he says the year resulted in a pay cut for everyone, including himself.

"I had to limit the amount of work I estimated, but my guys were paid consistently," he says. "I just adjusted my pay accordingly."

Following your last fiscal year, did your location share its profit and loss numbers with its employees?





Tightening things up

For Paul Fraynd, the CEO at Sun Valley Landscaping in Omaha, Nebraska, all the necessary COVID-19 precautions were put into place almost immediately. They closed for a day right around when the rest of the world seemed to – the tipping point for him was when the NBA started cancelling games. And when they quickly reopened, they had to be particularly careful around their clients as 55% of the work they do is residential, largely either design/build or maintenance.

Then, Fraynd implemented a pay freeze across the entire \$6-million company that would later be lifted in July, so pay raises were temporarily suspended. Other perks for his 55 employees were also removed, including the complementary local zoo membership each of his employees enjoys.

But by the summer, Fraynd had a new plan in place: They reestablished a portion of the budget for pay raises and started divulging full financial information in monthly Zoom calls to the employees to be transparent. Between explaining that and asking for their input – they all collectively decided to keep pay raises over company parties, for instance – Fraynd says his company navigated the pandemic well.

“Honestly, people just want to go to work and feel safe,” he says. “We’ve built that trust by sharing the real facts. It

What was the national average **annual salary** for each of the following positions (in U.S. dollars)?

Chief Operating Officer	Chief Financial Officer	Owner/President
\$80,000	\$75,000	\$70,000
Salesperson	Account Manager	Landscape Designer
\$60,000	\$55,000	\$52,000
Supervisor	Office Manager	Crew Foreman/Leader
\$50,000	\$45,000	\$40,000

helps when you’re not making promises you can’t keep. That part kind of bonded everyone, like if you go to war together. Obviously, we’re not in battle, but still.”

Meanwhile, Clarke says his residential hardscape company – made up of somewhere between three and seven employees – struggled during the year. He says many of his employees left to collect unemployment checks, leaving it more difficult to properly cut the checks. Those who did good work were rewarded even despite the financial hit his company took, Clarke says.

“If I can rely on them to show up and do proper work, and if they’re good employees and I want to keep them around, I’ll always pay them more,” Clarke says.

Credit where it’s due

Lewis says it’s rare his 20 employees, who all do either maintenance or irrigation, don’t earn some sort of financial incentive opportunities. His office employees earn a salary while his field workers are paid hourly, but he says the crews have some “skin in the game.”

When his crews still finish up early on a job – for example, working 89 hours instead of 100 – he’ll still compensate for the time they saved working efficiently.

“I’m not a hoarder. I’m not looking to keep every dime,” Lewis says. “I have a philosophy that my employees come first. I operate from a Biblical standard that says pay the worker what he’s owed.”

For Fraynd, pay raises can be awarded from a budgeted 3% of total revenue. As always, in 2020, he left it up to his supervisors on how the pay could be awarded – some crews started paying \$1 more an hour across the whole unit, while others just handed \$3 more an hour to the employee

PAY
DAY

What is the pay **per hour** (national average) for each of the following positions it had (in U.S. dollars)?

● Experienced ● Entry-level

Construction Worker	\$20	\$15
Mechanic	\$25	\$18
Irrigation Technician	\$20	\$15
Spray Technician	\$19	\$15
Mower Operator	\$16	\$13.63

who made the biggest difference out in the field. It helps that they’ve established pay ranges for each position so they know the maximum someone can earn in each role – if someone wants to earn more than the \$18-\$22 crew mower earns, they must try and learn another role within the company.

And Fraynd monitors his competition to ensure they’re paying among the best in the Omaha area. He noticed a huge spike in pay rates five years ago, and as a result, they “planted their flag in the ground” and paid the most in town. Soon after, everyone else recalibrated as well, meaning he’s now trying to pay in the top 10 percentile.

“I struggle because I want everyone to raise up, but not everybody wants to. Some people are happy to make what they make, and we need those people, too,” he says. “With the employees, you generally get what you pay for.”

One for all

At some point, company owners have to assess how they’ll make money, too.

With his smaller company, Clarke says he determines how much he’ll earn based on how much remains after paying it out to his crew workers. And Fraynd says he’ll always make sure his employees are paid their proper dues first before deciding his salary. Just like how he assesses the success of his crews, Fraynd says he tries to score his own performance as a leader, taking a cut from the overall sales. It behooves him to press his employees to perform well as much as it benefits them.

“We either make the sales and have the work or you don’t. I think everybody’s kind of familiar with that,” he says. “There’s always going to be some subjective component, but we try to make (pay) as objective as possible, driven through data and numbers.”

But it can feel like a relatively subjective decision. Company owners might have a bias toward paying themselves too much, or they might shortchange themselves in the name of appearing like a team player.

Lewis says it helps to find a third party, such as a consultant, to help determine a company owner’s pay. He and his consultant meet in the late summer to plot out the next year.

“As a general rule, I’m paid a salary, and it’s generally a percentage of anticipated income through the year, and I also take draws on capital,” Lewis says. “If we don’t make sales in a specific quarter or failed to meet expectations, then I will not take a full-sized draw.” ×

×

“There’s always going to be some subjective component, but we try to make (pay) as objective as possible, driven through data and numbers.”

Paul Fraynd, CEO, Sun Valley Landscaping



Planning Pains

The experts say most of you aren't budgeting. Here's why you should and how to get started.

X

Story by **Jimmy Miller**

You don't need a crystal ball to predict the future – a budget should do the trick, at least for your business.

Consultant Bruce Wilson of Bruce Wilson & Company says it takes three or four years of practice, but setting a budget and doing so effectively can help landscapers measure how they set goals.

"You've got to be financially responsible as an owner," Wilson says. "If you don't budget, you don't know if you're spending more or less than you thought you were. It's a surprise at the end. And that's what happens to a lot of (owners)."

But Jim Huston of J.R. Huston Consulting Co. says budgets are few and far between in an industry with thousands of companies nationwide. He cites a Wall Street Journal article that indicated only about 14% of businesses set a budget every year, and in the green industry, Huston thinks it's closer to 10% or less.

"It's such a big, monumental task," Huston says. "People just don't know where to

start. (But) if you don't have anything to shoot for, you're going to hit it."

And Bill Arman of the Harvest Group says that creates an uphill battle for business owners. Sometimes, they run their companies out of passion without stopping to understand their goals. "There are thousands of companies out there that are really pretty skilled at the landscape part of the business," Arman says, "but they're not skilled at the business part of the business."

Getting started

Arman says the easiest way to dive into budgeting is to take it slow and steady. They start budgeting two months before the fiscal year begins, and at the Harvest Group, they promote what he calls a "mini budget." This essentially eliminates some of the more complicated facets of budgeting in favor of tracking the essentials.

This means company owners figure out where all of their revenue streams are coming from and then keeping track of gross margins within those revenue streams. A

look at past profit and loss statements and backlog of client work also allows contractors the opportunity to forecast profits in those revenue streams and the overhead costs of each segment of the business.

"You can be able to tell pretty quickly which revenue streams are performing and which ones aren't," Arman says.

From there, he adds company owners have to do something about the areas of the business that aren't performing well. If a segment of the business isn't turning a profit, he or she must decide if it's an estimating problem, cost problem or an execution problem.

For reference, Arman says it may be a cost or estimating problem if a company is successfully selling over 15-20% of its proposals and still not making money.

He also suggests that if a company owner suspects the quality of work may be what's holding them back, investing in training or watching the crews out in the field will help.

"A critical element is making sure you have the people to help generate and sustain that (profit). Budget ties into your planning process," Arman says. "Budgeting is pretty doggone important to run a business, and very few people do it. That's how we operate: Landscapers are ready, shoot, aim. We react."

Checking in

Once a budget's in place, Arman and Huston both suggested checking it once a month and revising based on more current projections. Huston says this helps owners set clearer goals for sales, plus expenditures on overhead and labor productivity.

"You're turning on the scoreboard for people to understand if you're over or under these goals," Huston says.

Huston says checking back in with a budget helps landscapers identify pricing problems. He'll often ask his clients, "Do you know how much your two-man landscape crew needs to do daily to be profitable?"

The answer is often silence, so he breaks it down simply with a hypothetical: If the rate is \$45 an hour and they're working 10 hours, landscapers don't realize they need to bill \$450 per day, per client.



X

"If you really want to grow your company, you've got to get a sense for how you can predict the future. When you budget, you're basically predicting the future. Then you actually perform according to your prediction. When you don't, it helps you understand what you were thinking."

Bruce Wilson, consultant, Bruce Wilson & Company

Without going back and utilizing the budget to evaluate profitability, they may never realize they're not maximizing the revenue potential.

Plus, checking back in helps landscapers evaluate the structure of their companies. Huston says he'll often go through each department of a company with business owners to determine where it needs the most work.

"Once people have a budget and go through the process two or three times, it really opens their eyes to their business," Huston says. "They can basically look at it and all of its components and tell whether or not they're on track."

Looking ahead

Wilson warns that when contractors are forecasting using the budgets they've created, they shouldn't oversimplify their projections.

Taking this year into account is a prime example: If contractors never tweaked their budgets between the start of 2020 and the end of 2020, they probably struggled. Wilson says the COVID-19 pandemic caused maintenance contracts to be reduced or canceled, and many landscapers never adjusted to account for these types of situations.

Additionally, there are other variable costs to consider in years that aren't marred by global pandemics, such as material costs or labor. If contractors aren't careful to account for

these changes, their projections will be skewed.

"If you really want to grow your company, you've got to get a sense for how you can predict the future," Wilson says. "When you budget, you're basically predicting the future. Then you actually perform according to your prediction. When you don't, it helps you understand what you were thinking."

Wilson says simply completing the budget isn't enough – once you're comfortable creating one, use it to your advantage. One way to do so is to find areas of profitability and push hard to secure more valuable clients within those revenue streams. They should be clients who value quality.

"When you win a job on low price, you've obtained a low-price loyal client," Wilson says. "That client is probably going to go out to bid every year. To me, that's probably an undesirable contract."

Arman suggests joining an advisory board or trade association, so that business owners who have little experience have the help they need to get on track.

And when contractors get stuck, they should reach out to an advisory group or the company's preferred certified public accountant.

"The lesson learned here is you find where your weaknesses are," Arman says. "Since you're the owner, you get to do the stuff you want to do." X

What was your location's average gross profit margin (approximately) for each of the following services provided in 2020?

32%

Landscape construction/design/build: **residential**

31%

Landscape maintenance: **residential**

31%

Lawn care/chemical application: **residential**

29%

Lawn care/chemical application: **commercial**

29%

Landscape lighting

29%

Landscape construction/design/build: **commercial**

29%

Landscape maintenance: **commercial**

27%

Tree care

27%

Irrigation installation/maintenance



Lawn Care

—On Time, On Budget

From pricing to paying people, lawn care operators sound off on best practices to stay on budget and achieve profitability.

Story by **Kristen Hampshire** ✕ Illustrations by **Beth Walrond**

Time is your inventory. You charge for time, improve efficiency to save time, and pay technicians for how productively they use time.

Are you protecting your time by managing expenses, pricing properly and paying a fair wage?

“Time is our inventory just like electronics are inventory for Best Buy,” says Adam Linnemann, president, Linnemann Lawn Care in Columbia, Ill. “How does Best Buy protect its inventory? They have a point-of-sale system, a security person at the door and cameras. They watch over their inventory. We need to watch over our inventory so we must make sure we are charging as much as we can, reducing non-billable time, and ensuring (your) team is recording time properly and not taking advantage of time.”

You know the old saying, time is money. Unfortunately, many lawn care operators find this out the hard way when they treat

a service as a loss-leader to win work (bye-bye, profit) or fail to budget accurately and wind up spending more than they make.

“When you don’t plan or budget, then emergencies can pop up and you are not prepared or don’t have the funds to deal with it,” says David Jennett, president, Green Valley Pest Control & Lawn Care, Creston, Iowa.

Lawn care pricing can be different than landscaping services like design and installation. You’re dealing with different materials and a different division of labor – usually a technician and a truck rather than a three-man crew. The billing cycle is also different and based on a lawn care program vs. more frequent visits for mowing or week-long projects for construction. While all landscape services are selling time, the nature of lawn care does call for some specific planning.

As you study the benchmarking charts on page B4 of this guide, also take into account this boots-on-the-ground insight from lawn care professionals who explain how they buy materials, price services, pay their people and increase fees.

Investing in inputs

In early winter, Dayna Macbeth, operations manager at Fit Turf in Denver, Colo., sends a letter to area vendors and suppliers. “I reach out to those I’m interested in doing business with and let them know about the products we’d like to use,” she says.

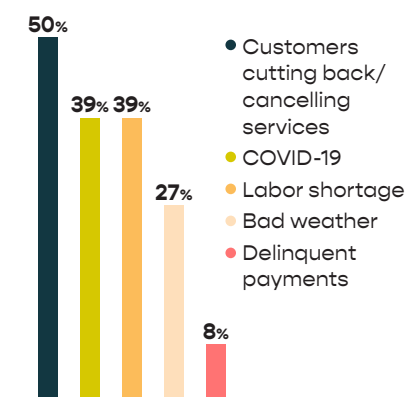
Macbeth collects estimates and compares them. “I have them compete, in a way,” she says. “I might say, ‘I’d like to order this weed control from you, but it’s \$5 more per gallon, so we might end up spending a couple thousand more dollars if we buy it from you.’ Often, I am able to get them or a territory boss to decrease the price.”

This year, Fit Turf saved \$3,000 on seed because of Macbeth’s due diligence.

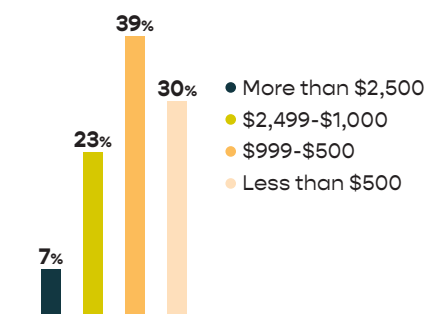
“You have to ask, ‘Are you willing?’” she says. “Even if a price is \$0.10 less per pound, we will save money as a company.”

EDITOR’S NOTE: The data collected here is based on almost 100 respondents who said lawn care services accounted for 50% or more of their revenue. Not all totals will equal 100%.

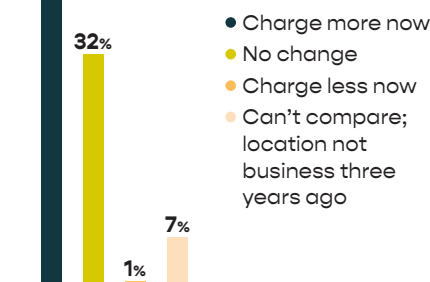
What top two issues do you anticipate that your business will face in 2021?



Approximately what was your location’s gross revenue per customer in 2020?



Compared with three years ago, how have your location’s prices changed in general?



+30%

More than half (53%) of respondents say they expect their 2021 revenue to grow by 30% or more compared to 2020.

Early ordering helps Linnemann save up to 20% on lawn care materials costs. He attends supplier shows, where he has opportunities to pre-order product for the year. “We look at what we used in the past and what we will need for the upcoming season, and we get those prices locked in,” he says.

Linnemann estimates spending about \$80,000 per year on herbicides, pesticides and grass seed. In spite of the early order commitment, he is not required to pay for the products until shipments are delivered. He receives materials as needed throughout the growing season.

Also, because Linnemann worked out 60-day terms with his supplier and doesn’t pay for pre-ordered materials until they ship, he can collect on service invoices and apply those dollars toward his bill rather than using a line of credit. “By allowing us to invoice customers and collect payment from them in a timely manner, we can cover the expenses easier vs. swallowing that (materials) invoice in upfront charges,” he says.

Again, the message is: Just ask.

“Sometimes, all it takes is asking if a vendor is open to giving you extended terms, and this can make it easier on your cash flow,” Linnemann says.

As for Jennett, he purchases fertilizer pre-emergent in winter and pays a lump sum.

“Our spray herbicides, we buy as needed,” he says. The same goes for grub control.

Equipment is “ride it until it dies,” Jennett says, relating that the company focuses on the oldest pieces of equipment each year.

Linnemann adds, “Make sure you are recovering your equipment cost so you can replace it one day.” By building equipment costs into pricing, you’ll be prepared to replace trucks, spreaders, sprayers, hoses and reels and ride-on machines.

Price it right

How much do you earn per 1,000 square feet of property serviced? That’s how Macbeth and Fit Turf Founder/President Paul Wagner look at pricing.

“The biggest mistake most lawn care companies make is underpricing, and some companies will use lawn care fertilization as a loss-leader – once they get the customer, they sell other services,” Wagner says.

“Lawn care needs to be profitable,” he continues. “So, in our market, we like to make \$14 to \$15 per 1,000 square feet with a 20% profit margin.”

To determine how much he charges customers for lawn care, Linnemann gathered the production rates for 100 properties of different sizes. “We measure those online and get the square footage, then we track

how long it takes us to treat each property,” he says. “So, if a yard is 10,000 square feet and it takes us 30 minutes, we’ll back that out and say, ‘How many thousand square feet can we do in this amount of time.’”

Basically, Linnemann takes an average of these production times and assigns a price per square foot. Then, he adds in materials cost, equipment costs and drive time, also figuring in the company’s overhead. By using landscaping software, as long as the “input” numbers are accurate, the output provides pricing that meets the company’s profitability goal.

Jennett relies on an Excel spreadsheet to compute expenses and figure out a fair price for lawn care services. The formula includes: materials, average labor cost and material costs.

“As lawn size increases, the price per square footage goes down because we recognize efficiencies and the cost of doing business,” he says.

Pay to win good people

Good help is hard to find. And depending on the market, great help can be challenging to afford. But just as important as understanding that lawn care is about selling time, it’s also about delivering quality – and that takes talent.

“This is an expensive market,” Macbeth says about Denver, adding that Fit Turf pays slightly higher than competitors. Lawn care technicians are paid about \$20 per hour, and tree care specialists earn between \$19 to \$30, depending on their qualifications.

“We have an incentive-based pay structure for technicians,” Macbeth says, noting that they are paid hourly but can get unlimited overtime as long as they are efficient. That pay comes as a bonus. The company also offers a “welcome back” bonus. “If you complete a full season with us, at the end you will receive \$1,000,” she says. “After winter, if you come back, you’ll get \$500.”

A referral program pays technicians \$300 for every quality recruit that is hired. Fit Turf pays out \$150 after the new hire and \$150 more if the team member is still on board after three months.



+13%

2020’s increase in total gross revenue for lawn care/chemical application services (commercial and residential) compared with 2019.

\$72.71

Average charge for an hour for labor on lawn care/chemical application (residential and/or commercial)

93%

Respondent’s customer retention rate

As of Nov. 1, 2020, the average respondent paid spray technicians the following per hour:

\$20 \$15

Experienced

Entry-level

relationship that is open and don’t mind sharing this type of information, he says. “There are a couple of manufacturers in town we get a hold of, and employers like fast-food restaurants and service industry like plumbing and electrical,” he says.

Linnemann determines pay rate based on certifications, work ethic, employment history, flexibility and availability. For each additional license, technicians can earn about

\$1 more per hour. The company covers training materials and testing. “They simply need to ask and get signed up,” Linnemann says. “We pay for everything, so it’s a matter of them wanting to excel in the industry.”

Overall, from purchasing materials to pricing and paying people, Linnemann says accuracy is key. He says, “The biggest thing for us is the software we use has a budgeting tool.” ✕



“When you don’t plan or budget, then emergencies can pop up and you are not prepared or don’t have the funds to deal with it.”

David Jennett, president,
Green Valley Pest Control & Lawn Care



RAISE THE PRODUCTIVITY BAR

For a variety of reasons, the diesel-powered Lazer Z[®] zero-turn mowers may be the right choice for your cutting needs. These machines make quick work of the largest, toughest jobs and raise the bar for cut quality, operator comfort, fuel efficiency and ease of handling. The recently updated 96-inch Lazer Z Diesel is the largest, most powerful Lazer Z model. Capable of mowing in excess of 9.5-acres per hour, the 96-inch flex wing deck model is the most productive diesel mower Exmark has ever built. The Lazer Z Diesel is also available with 60- and 72-inch UltraCut[™] mower decks.

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