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CORNELL UNIVERSITY

Cooperative Extension

Landscape Business Planning Guide

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Landscape Business Planning Guide

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RISK MANAGEMENT: BUSINESS PLANNING

The most significant risk facing small businesses, particularly startups, is the risk that they will not survive.

According to the United States Small Business Administration (www.sba.gov), as many as 80% of small businesses fail within their first two years.

This business planning guide aims to reduce the risk of failure for landscaping businesses through the creation of a well-conceived business plan, optimizing the chances of survival, and ultimately, prosperity.

Table of Contents


Chapter 1: Why should landscapers write a business plan?	1
Chapter 2: Executive Summary	2
Chapter 3: Mission Statement	4
Chapter 4: Management Team	5
Chapter 5: Market Analysis	6
Chapter 6: Industry Analysis	7
Chapter 7: Customer Analysis	8
Chapter 8: Competitor Analysis	10
Chapter 9: Business Strategy	11
Chapter 10: Marketing Strategy	12
Chapter 11: Plan of Operations	17
Chapter 12: Financial Summary	20
Appendix A: Human Resource Management	22
Appendix B: Financials	25
Appendix C: Resume	33
Appendix D: Risk Management	34
Appendix E: Resources	37

Why should landscapers write a business plan?


According to Landscape Management Magazine's 2002 State of the Industry Report, "When the going gets tough... it's not the tough that grow and prosper, it's organizations nimble enough to implement strong business and marketing plans when the economy, specifically the markets they serve, change." (www.landscapemanagement.net)


In the landscaping business, proper business planning is essential in building a profitable, long-lived business. The opportunity to develop and implement a well-defined business strategy is valuable to the business owner, it is valuable to the consumer, and it is valuable to the community.

ICON KEY

 Valuable information

 Workbook exercise

 Helpful resources

 For example

How to Use This Guide

Each section included in this how-to guide appears in the same order that it should be included in the final business plan. However, certain sections should be written only after the rest of the plan is complete. Also, be prepared to revise and update your

business plan on an ongoing basis. A business plan should be dynamic and cohesive. All of its parts should fit well together.

Landscapers Should Write a Business Plan To:



- Start a legitimate business
- Develop a sensible pricing strategy
- Develop and implement a sustainable strategic plan
- Prepare for economic change
- Explore and develop new markets and new products
- Expand and grow
- Become more profitable

A word on content: Formal business plans that are used to communicate with potential investors should follow the format in this business planning guide. However, if you are using the business plan for yourself, leave out non-critical sections. Whatever its final use, every business plan should contain a thorough market analysis; a marketing strategy; a business strategy overview; a plan of operations; a personnel management strategy; and a financial analysis.

A word on format:

It is important that your business plan is both easy to read and easy to comprehend at a glance. Therefore, try to keep your complete business plan to a reasonable length. Your business plan should ideally be less than 30 pages. Try to avoid lengthy textual descriptions. Instead, use bullet-points to highlight important facts and features.

Executive Summary

The executive summary is the single most important section of your business plan. It must include, in two pages or less, all of the most important information contained within. This is why the executive summary is written as the last piece of your business plan. It summarizes everything in your plan so that anyone can quickly get a very clear idea of its strength.

Your executive summary should communicate the following information:

Business Description:

- Where is your business located?
- What services does your business offer?
- What value does it add to the marketplace?

DEFINITION:**EXECUTIVE SUMMARY**

"A document which captures and presents succinctly the essence of the written plan. It is, in effect, a capsulized version of the entire plan. The executive summary is not simply a background statement, nor is it an introduction. It is the plan in miniature. Because many plan reviewers are inundated with proposals, they use the executive summary for a quick understanding of the total plan." (www.entreworld.com)

Management Team:

- What are your qualifications?
- What are the qualifications of your management team?
- How will the experience of your team contribute to the success of your business?

Business Strategy/Competitive Advantage:

- What are the key strategic opportunities that you have identified in the marketplace?
- Describe how your business will take advantage of strategic opportunities more effectively than your competitors.

- How do you intend to maintain your competitive advantage?

Key Challenges/Solutions:

- Briefly summarize key challenges and propose solutions to these challenges.

Profitability:

- Summarize your business's financial outlook
- Include a summary of key financial information such as financial ratios explained in **Appendix D: Risk Management** (p.35).

Legal Structure:

- Will your business operate as a:
 - Sole proprietorship, as a
 - Partnership, as a
 - Corporation, or as a
 - Limited Liability Company (LLC)?
- How will this legal structure decrease your business's exposure to risk?

Financial Request:

- How much money will you personally invest in your business?
- How much money are you seeking from bank loans?
- How much are you seeking to borrow from private investors?

Be sure the following questions are answered by Your Executive Summary:



- What makes your business unique?
- What are your qualifications?
- What are the qualifications of Your Management Team?
- What is your **Sustainable Competitive Advantage** (see p. 11)?

Chapter
3

Mission Statement

This section should be a brief statement of the purpose that you see for your business. It should answer the following questions:

- What is your business?
- How will your business succeed?
- What values are important to your firm?
- How does your business improve the lives of its customers' and its employees?

DEFINITION:
MISSION STATEMENT
"A brief written acknowledgement of a company's primary purpose, values, and strategies."
(www.entreworld.com)

Marketing Slogan:

Including a slogan on this page will add impact. A slogan will act as a mantra to those inside your firm and will serve as a useful marketing tool when publicizing your business.

For Example:



Mission Statement:

XYZ Landscaping is a full-service landscaping firm that believes in environmental improvement through professional landscape horticulture. Our mission is to work cooperatively with customers to design, install, and maintain the highest quality landscapes that provide a comfortable escape from hectic everyday life.

Marketing Slogan:

XYZ Landscaping

"We Know How to Grow"©

Chapter
4


Management Team

A strong management team is especially important in the landscaping business. You’ve got to prove that you have people involved in your business who have experience working with the appropriate subject material (be it flowers, trees, rocks, laborers, or income statements.) Each member of your team must contribute an important skill so that the team, as a whole, possesses the breadth of knowledge necessary to run a successful landscaping business.

To that end, this section must list each individual on the management team and the skills that he/she will bring to your business. You must also show that each person has practical experience using those skills. If your business is a one-person operation, it may be useful to assemble an advisory board with strengths that will balance yours.

An advisory board consists of people with whom you have contacts who would be willing to provide advice in a particular area of expertise. Often, industry groups such as the Associated Landscape Contractors of America (ALCA) provide new landscaping business owners with mentors that have experience with their own landscaping business. County cooperative extension agents are another resource who may be a valuable addition to an advisory board. An advisory position is typically unpaid, so be sure that those listed on your board have consented to serve.

Do you have what it takes?

Necessary skills for a landscaping business:		Check here
	• Business/Management	
	○ Business strategy creation and implementation	_____
	○ Customer relations/sales	_____
	○ Human resource management	_____
	○ Accounting and financial management	_____
	• Horticulture	
	○ Planting and maintaining trees, shrubs, vines, perennials, and annuals	_____
	○ Weed eradication and control	_____
	○ Insect and disease identification and control	_____
	○ Licensed chemical application	_____
• Construction		
○ Grading/sitework (earthwork, drainage, etc.)	_____	
○ Irrigation installation and maintenance	_____	
○ Hardscape/rockwork installation	_____	
○ Specialty installations: decks, woodwork, ponds, etc.	_____	
• Design		
○ Plan preparation and presentation	_____	
○ An “eye” for beauty	_____	
• Dedication and Hard Work!		

Market Analysis

A market analysis consists of three parts: the industry analysis, the customer analysis, and the competitor analysis. The findings presented in these three sections will be used to guide your business strategy and marketing approach. To prepare this section, you should become familiar with the local business environment in order to pinpoint a specific need for your services and products.

Useful Resources for Market (Industry, Customer, and Competitor)

Research:



Associated Landscape Contractors of America: <http://www.alca.org>

Bureau of Labor and Statistics: <http://www.bls.gov>

Business Information Solutions: <http://www.infods.com>

Follow links to Industry Research at: <http://lawnandlandscape.com>

Follow links to the State of the Industry Report at: <http://landscapemanagement.net>

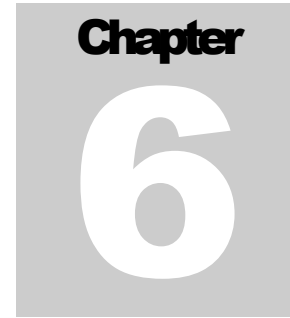
The National Gardening Survey. Conducted annually by the Gallup Organization, Inc. for the National Gardening Association, 1100 Dorset St, South Burlington, VT 05403

Reference USA online database: <http://www.referenceUSA.com>

Note: There are several proprietary services that may be extremely useful for your research. The Reference USA online database lists businesses by type and location, tells what services they offer, and approximates their sales volume. Services such as this are very expensive, however, and are often only available to universities and other public institutions. With proper permission, you may be able to access such services through your local university.

“A good marketing effort starts with a business plan, understanding your target market and gathering information for reaching that target. It is a precisely defined and executed activity that makes your business breathe with sales. A well mapped out strategy will realize your goals and bring about success.”

(www.powerhomebiz.com)



Industry Analysis

The industry analysis identifies the forces at work in the environment in which you plan to do business. Trends in the greater economic landscape should be studied as well as trends in the landscaping industry.

National economy:

- What are the positive trends that will affect your business?
- What are the negative trends that will affect your business?
- How will you take advantage of the positive trends and deal with the negative trends?

Regional economy:

- What are the positive trends that will affect your business?

- What are the negative trends that will affect your business?
- How will you take advantage of the positive trends and deal with the negative trends?

Landscaping industry:

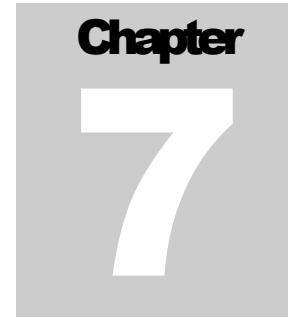
- What are the positive trends that will affect your business?
- What are the negative trends that will affect your business?
- How will you take advantage of the positive trends and deal with the negative trends?

RISK MANAGEMENT: CONTROLLING GROWTH

For many years, landscaping has been a **high-growth industry**, experiencing levels of growth upwards of 15% annually. Because of this, many businesses get into trouble because they grow too much, too fast.

A survey of landscapers revealed the following strategies for managing growth:

- Maintain a strong customer base.
- Build personal relationships with customers, do quality work, and grow through word of mouth.
- Limit work to the most profitable revenue streams.
- Use equipment for increased productivity. Use computers for bookkeeping and CAD computer design software for drawing.
- Subcontract jobs we don't want to do.
- Pay attention to where we make the most money and invest in those areas.
- Hire people we know and trust.
- Turn down most jobs. Stay small. Give customers personal attention.
- Limit service offerings and tightening geographic mkt.
- Let non-profitable work go.



Customer Analysis

Complete the following exercises in order to get an idea of who your customers are and what they want that you can offer them.

Step 1: What's Your Target Market?

For this section of your customer analysis, you first need to identify the geographical area that you want to target. Use US census data (www.bls.gov) to determine the number of households in one or more zip codes. The size of your target market depends on your willingness to travel to do business as well as the desired size of your venture. If you know the median household income and the number of households in your target market, you can use the *National Gardening Survey* to estimate the total amount that will be spent on professional landscaping services in your target market area each year.



	Zip Code A (example)	Zip Code B	Zip Code C
Number of Households	11,800		
Median Household Income	\$52,000		
Average Amount/Household Spent on Landscaping/Year	\$700/yr.		
Total Amount Spent on Landscaping/Year	\$8.26 million		

Step 2: Who Are Your Target Customers? (adapted from Dell's *How to Start a Home-Based Landscaping Business*)

Figure out exactly who your customers are and what they want that you can offer them. You can gather information such as age, income level, and race from an internet search by zip code (www.infods.com). This will help you identify the most desirable services in the target market.

Who are your target customers?



	Zip Code A (example)	Zip Code B	Zip Code C
Total Population	25,801		
Age			
18-29	15%		
30-49	35%		
50+	50%		
Education Level			
College	70%		
High School	20%		
Grade School	10%		
Occupations			
Professional	35%		
Business	20%		
Clerical/Sales	15%		
Manual Labor	5%		
Farmer	0%		
Retired	20%		
Non Labor	1%		
Undesignated	4%		
Average Home Value	\$150,000		
Housing Starts	37 (3 rd quarter, 2001)		

Step 3: What Do Your Customers Want?

It is very important to gather specific details about your customers. Information on indicators such as key market drivers and general gaps in customer satisfaction can be found on the internet. You may also want to call up local residents on the telephone and conduct interviews. Or you could mail a survey with a return envelope enclosed. Make sure it's not time consuming to fill out. As an added incentive, offer 10% off landscaping services if the survey is returned and the services are completed within the year.

The best way to research your customers, however, is by talking directly to them. Go door-to-door and ask if they've had any negative experiences with local landscapers. Ask about what they value most in a professional landscape service. Ask what additional landscaping services would be of value in the area. Going door-to-door may be the toughest kind of research, but it will also be the most insightful, and you may even make a sale or two.

For Example:



Key Market Drivers: The economy, the aging baby-boomer population, a workplace environment demanding more time of employees and more double-income families, and maturation among landscape professionals have all contributed to the industry's growth. (www.lawnandlandscape.com)

What do your customers want?



	Zip Code A (example)	Zip Code B	Zip Code C
Average home/landscape age	Mostly new, some older homes		
Typical demographic (www.infods.com)	Older, married, rural, well-educated		
Landscaping valued by typical demographic	Increased property value, low-maintenance		

Chapter
8

Competitor Analysis

The competitor analysis is an in-depth examination of those businesses with which you will be in direct and indirect competition.

DEFINITION:
INDIRECT
COMPETITION:
“Businesses that sell similar products or services as a sideline to their normal business.”
(www.entreworld.com)

Complete the following exercise to get a good idea of what you’ll be up against.

Who are your competitors?



Peruse the local Yellow Pages and write down the names and locations of local competition. Drive around and visually estimate their size. You should also call and ask how many people they employ. This will give a clear estimate of sales volume. If you ask politely, you may also be able to identify the services offered by a competitor and the approximate percentage of revenue generated from each service.

Business Name	Competitor A	Competitor B	Competitor C	Your Business
Location (address & zip code)				
Number of Employees				
Estimated Sales Volume				
Services Offered				
Quality of Products				
Price of Products				
Target Customer				
Strengths				
Weaknesses				
Direct/Indirect Competitor?				

Identifying market gaps



In order to determine if there is room for another landscaping business in your area, use the data calculated in Your Customer Analysis showing the total amount spent on professional landscape services each year in your target market area. Then subtract the approximate sales volume of your competitors in order to identify any market gaps.

	Zip Code A	Zip Code B	Zip Code C
Total Estimated Sales Volume			
Total Amount Spent on Landscaping/Year			
Estimated Market Gap			

Business Strategy Overview

In addition to including a clear statement of your business strategy, the business strategy overview is a summary of the forces that will contribute to the success or failure of your business. In this section, perhaps the most important element that you need to define is your sustainable competitive advantage.

To complete this section, answer the following questions:



1. What is your Business Strategy?
2. What are the strengths of Your Business Strategy?
3. What are the weaknesses of Your Business Strategy?
4. What Key Opportunities does your business strategy take advantage of?
5. What are the Key Challenges for your business?
6. How does your business strategy address key challenges?
7. What is your **Sustainable Competitive Advantage**?

DEFINITION:

COMPETITIVE ADVANTAGE

“Factor or factors that make one company, product or service different from and better than other offerings; lower price, higher quality and better name recognition are examples.” (from Entrepreneur Magazine’s *Creating a Successful Business Plan*)

A word about niches:



www.bizplanit.com defines a niche as “a focused, *targetable* portion of a market...that has customers who are accessible, is growing fast enough, and is not owned by one established vendor already.”

As a landscaper, developing a business strategy that targets a very specific subset of customers, such as those seeking organic lawn care, for example, separates your business from the competition and offers a competitive advantage. It is, however, essential that your specific subset of customers can be reached by your marketing efforts.

Owen E. Dell offers a completely different viewpoint in *How to Start a Home-Based Landscaping Business*. He says: “If you’re not sure what you’d like to end up doing, try a bit of everything...Be a generalist...you won’t be limiting your clients to just those who want one kind of thing.”

Chapter
10

Marketing Strategy

Most landscaping businesses rely on word of mouth, yellow pages ads, and signs printed on the sides of their trucks as their marketing tools. While effective, this simplistic approach is a weakness that a new landscaping business can take advantage of with more creative marketing techniques.

RISK MANAGEMENT:
MARKETING RISK
 Low-balling competitors can threaten your business by undercutting prices. What can you do? Be consistent. Stick to your marketing and pricing strategy and offer your customers something that low-bidders cannot. See page 34 for more details.

The 4 P's of a marketing plan



There are 4 P's of developing a marketing strategy that, when analyzed, should give you a good idea of exactly what the best marketing strategy for your business will be.

- | | |
|------------|-----------------------|
| 1. Product | 3. Place/Distribution |
| 2. Price | 4. Promotion |

Product:

The product, or product mix, consists of the services that you offer to consumers. As part of your marketing strategy, try to insure that your product is unique and different from that of your closest competitor.

Pricing Strategy:

Development of a pricing strategy that accounts for the fair market value of your services but also covers your cost of doing business is essential and should become an industry standard for landscapers.

Market Value Pricing

To develop a fair pricing strategy, check around to see what other businesses in your area are charging for their services. You want your prices to be competitive, but consider that comparing prices between landscaping companies is difficult for consumers. Your pricing strategy should be appropriate to the market segments that you intend to target. High-end customers may be able to afford higher prices than medium or low-end customers, but keep in mind that those paying higher prices will need to perceive some tangible benefit in doing so.



	Competitor A	Competitor B	Competitor C	Average	Your Business
Market Position					
Labor					
Equipment					
Materials					

Cost-Plus Pricing (for bidding and estimating):



Use cost-plus pricing to determine if your cost of doing business will be covered by your prices for labor, equipment, and materials. Your two main costs are operating expenses (or variable costs), and overhead (or fixed costs). Variable costs change with the amount of work that you do. Fixed costs remain the same, no matter how much work you do, and should be covered completely by your labor rates. Before you

do complete this exercise, complete the Personnel Plan, Sales Forecast, and Income Statement sections of your financials (Appendix B).

Labor:

1. Determine the average hourly wage (including payroll burden) paid to field laborers only.
2. Determine the total amount of field-labor hours your business will accumulate in a year
3. Divide your total overhead (p.28) by the total projected number of field-labor hours per year to get the amount you have to bill your customers per person per hour in order to recover your total overhead costs.
4. Finally, add a reasonable profit (anywhere from 10-30% is appropriate) in order to arrive at a final price.

Equipment:

In order to determine how much to charge for equipment usage, use the following exercise:

1. If you're renting equipment, charge what local rental companies charge per hour, plus any associated fuel costs (variable expenses). If you are renting equipment, you shouldn't have any associated fixed costs (overhead expenses). Adding an appropriate profit will give you an hourly price for rented equipment.
2. To determine the variable costs for equipment you own, divide the purchase cost of the machine by its estimated years of use, and divide again by its estimated hours of use per year. Add to this number an hourly average for fuel, maintenance, and repair costs (divide total yearly fuel, maintenance, and repair costs by # of hours machine is to be used per year). Equipment ownership is generally desirable if the machine is to be used at least 1/2 time (20+ hours/week). Otherwise, rental may be a better alternative.


3. Determine total yearly overhead expenses for each piece of equipment, including insurance, interest, depreciation, taxes, housing, and licenses and divide by the total usable hours per year for that machine.
4. Add together your variable (operating) costs and fixed (overhead) costs for your machine and add an appropriate profit (10-30%) in order to arrive at a retail price.

**Note: According to Angley, et al's Landscape Estimating and Contract Administration, your equipment costs should be approximately 40-50% of the rate charged by rental companies. However, this figure may be higher if your equipment is used infrequently.*

Materials:

See summary below. (Warranty costs cover the cost of replacement should any plants fail. Most landscapers offer a one-year warranty that replaces dead plants.)

Cost-Plus Pricing Summary



	Variable Cost	+	Fixed Cost	+	Profit	→	Cost-Plus Price
Labor	=Avg. hourly wage + payroll burden (%)		=Total general overhead (p.28) divided by total billable hours per year		10-30%		
Equipment (owned)	=(Direct cost + fuel + maintenance + repairs)/hour		=(Insurance + taxes + housing + license)/hour		10-30%		
Equipment (rental)	=(Rental fees + fuel charges)/hour		No Fixed Cost		10-30%		
Materials	=Wholesale costs + warranty costs		No Fixed Cost		10-30%		

**Note: Sylvia H. Fee's Landscape Estimating Methods provides an in-depth description of several effective methods for recovering overhead.*

Bidding



Many landscaping jobs are sold when a number of landscape contractors submit bids for the work. The client then chooses which company he wants to work with based on the lowest price, reputation, or a combination of the two. If a client chooses your company based on its bid, you are required by law to complete the work specified in the bid for the amount specified. Therefore, it is important that any bid submitted covers your costs (direct and indirect), profit, and a contingency should things not go exactly as planned. The following resources will help with estimating and bid submission.

Angley, Steven, Edward Horsey, and David Roberts. *Landscape Estimating and Contract Administration*. Delmar Thomson Learning, Inc. Albany, NY. 2002.

Dietrich, Norman L. *Kerr's Cost Data for Landscape Construction: Unit Prices for Site Development*. Van Nostrand. Reinhold, NY.

Fee, Sylvia H. *Landscape Estimating Methods, 3rd Ed., Revised and Expanded*. R.S. Means Company, Inc., Kingston, MA. 1999

Distribution Strategy: (adapted from Dell's *How to Start a Home-Based Landscaping Business*)

Summarize your target market by listing and ranking the importance of every possible distribution channel that may exist for your business.

Distribution Strategy		
Potential Clients	Importance to your business (1-4)	Number in Target Market Area
Homeowners		
▪ Young/New		
▪ Low Income		
▪ Middle Income		
▪ Upper Middle Income		
▪ High Income		
▪ Middle-Aged		
▪ Low Income		
▪ Middle Income		
▪ Upper Middle Income		
▪ High Income		
▪ Retired		
▪ Low Income		
▪ Middle Income		
▪ Upper Middle Income		
▪ High Income		
General Contractors		
Developers		
Architects/Landscape Architects		
Property Managers		
Realtors		
Apartment Owners		
Commercial Property Owners		
▪ Small		
▪ Medium		
▪ Large		
Other		

Promotion Strategy:

As stated above, most landscaping businesses do little if any active marketing. With imagination and persistence, creative promotion can be the key to success for a new landscaping business. Promotion can be divided into three distinct categories: advertising, public relations (PR), and sales promotions. Before you begin a promotional campaign, consider your desired target market and the effectiveness of your promotional strategy in reaching that target market.

	Percent of Target Market Reached	Cost (financial, time, etc, 1-4)	Effectiveness (1-4)
Direct Mail			
Yellow Pages			
Cold Calls			
Print Advertising (newspaper)			
Internet			
Home Shows			
Education			

Marketing Ideas: (adapted from White and Uva)



**Direct Mail
(advertising)**

Direct mail can be particularly effective for landscaping businesses. Count on a success rate of between 1-3% with direct mail marketing.

Yellow Pages (advertising)

Most landscaping businesses feel that it is important to have a yellow pages ad to be perceived as a legitimate business.

Cold Calls (advertising)

Making cold calls isn't fun but it can be very effective. Stop by houses that need landscaping and offer a free consultation. Check the local paper's real estate transactions section and talk to new homeowners. Stop by realtors' offices to sell them on landscape improvements for houses that have been slow to sell. "You know, spending 10% of a home's value on landscaping can improve its market value by 25%!"

Internet (advertising)

Websites can be relatively cheap to set up and maintain over time and they can reach an enormous amount of people. You can relay a vast amount of information over a website, you can change a website as conditions demand, and you can provide links to other useful websites.

Print Advertising

Putting an ad in the local newspaper can be an effective and inexpensive way to advertise your business.

Home Shows (advertising/PR)

Rent a booth at the local or regional home and garden show and set up a display. Home shows can become expensive when the rental fees, labor necessary to set up and take down your display, and materials are factored in, but they may pay off by bringing in lucrative business.

Education (PR)

Give a lecture occasionally at the local garden club, teach a class at the local adult education center, or give a clinic at the local garden center. If you prove that you know your stuff, people will come to you for advice. Your name will circulate and you will most likely make sales.

Trade Organizations (PR)

Becoming a member of trade organizations such as the Nursery and Landscape Association can be a great way to learn new information about the green industry and can be a great way to network with other business owners.

Sales Promotions

Offering a discount off your services can be a great way to gain new customers.

Referrals/Retention (PR):

Customer referrals and repeat customers will be one of your most valuable sources of revenue. If your business is perceived as professional and as a good value, your reputation will benefit. Therefore: communicate clearly with customers, always show up on time, establish personal connections, do good work, and always maintain a professional appearance.

Strategic Alliance: Talk to owners of plant nurseries in your area. Try to get them to agree to refer customers to you if you agree to use their plant material in your landscaping jobs. Perhaps you could offer to divide the profit from the sale of their plant materials.

Chapter
11

Plan of Operations

The plan of operations describes how the daily flow of your business works. To complete this section, imagine a typical day for your business and describe all the details necessary to complete the day successfully.

Equipment

Include in this section any and all equipment needs. List the specific pieces of machinery, address ownership/rental/lease options, and design a maintenance and storage strategy that will contribute to equipment longevity and performance.

Equipment needs



Equipment	Purchase, Lease, or Rental?	Maintenance	Storage

Materials

The materials section should include a list of all materials that you will be using during the daily operation of your business. Answer the following questions:



1. Who will be your primary suppliers?
2. Who will be responsible for material purchases?
3. Where you will be storing extra materials?

Communication:

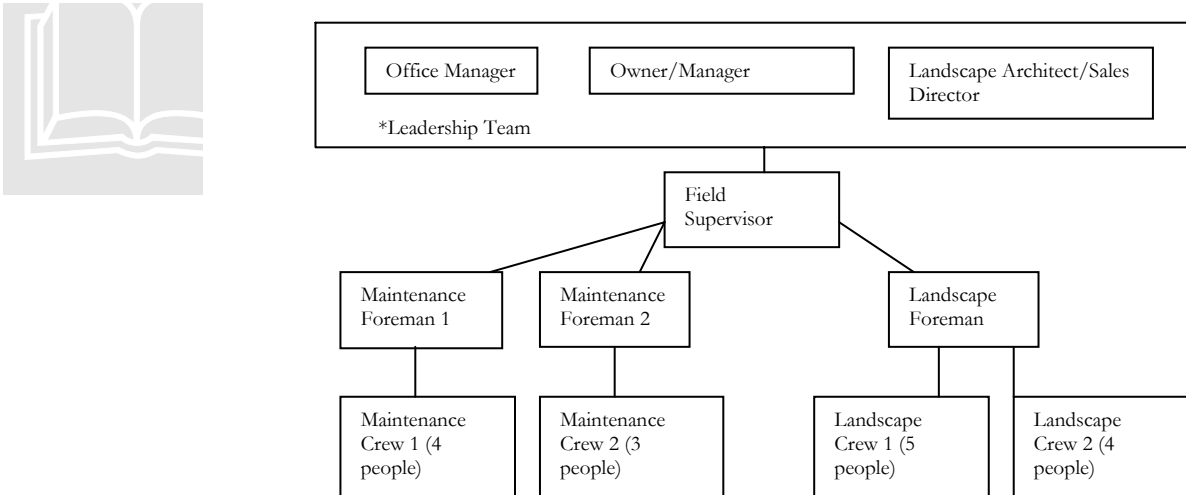
Because it is possible to waste time and money due to ineffective communication, it is essential that you develop a communication strategy in your business plan. Address the following communication channels:

- Communication with clients
- Communication within the company

Personnel-See Appendix A

In this section, create an organizational chart graphic and list of the pay rates and benefits you will offer different levels of employees. Key issues to decrease risk, such as training programs and strategies to keep turnover low should be summarized here, as well.

Organizational Chart (example):



Pay Rates/Benefits:



- Supervisor: _____
- Foreman: _____
- Full-time laborer: _____
- Seasonal/Part-time laborer: _____

Minimizing Personnel Risk:



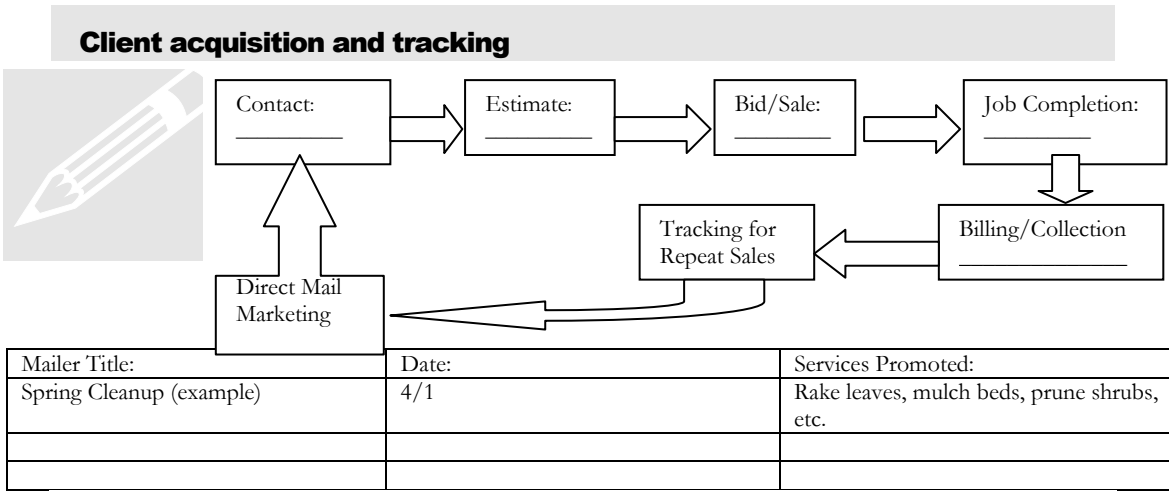
1. How will you minimize employee turn-over?
2. What training programs will your company use?

Client Acquisition:

This section is an example of what you foresee as the typical transaction between your business and a customer.

Provide a sample timeline for the completion of a job, as well as a billing and collection schedule.

Create a tracking program for your customers, sending out fliers or emails at certain points in the year. Marketing specialty services such as fertilizer application, spring pruning, fall clean-ups, etc. can bring a big boost to your revenue during slow times.



Customer Retention:



You won't succeed in the landscaping business if you don't keep your existing customers happy. They will provide you with repeat business and will refer new customers to you. Here are some strategies that will make your business look good in the eyes of your customers (and their friends):

- Communicate clearly.
- Return calls promptly.
- Provide personalized attention to each client.
- Keep your foremen well informed so that they can pass along crucial information to clients.
- Show up on time.
- Stay in touch before, during, and after a job is completed.
- Personally represent your company as much as possible.
- Do good work.
- Maintain a professional appearance (uniforms, trucks, jobsites, etc.)

Chapter
12

Financial Summary

Complete your entire financial analysis (Appendix B) before completing this section. The financial summary is important if you will be borrowing money from a bank or private lender. If you are not seeking outside funds for your business, it is OK to skip this section. It should include:

Startup Capital:

Include a list of the sources you intend to borrow money from to implement your business plan. State how much you intend to borrow from each source and how the money will be used.

Startup capital summary:



Funding Type	Funding Source	Amount	Use
Debt (bank loans)			
Equity (private lenders)			
Personal			
Other			

Break-Even Analysis:

A company's break-even point is the point at which its sales match its costs. After a company breaks even, it becomes profitable. A thorough explanation of break-even analysis can be found at: www.businesstown.com/accounting/projections-breakeven.asp. In Your Financial Summary, include a graph and a short summary of the time it will take for your business to break even.

Exit Strategy:

Potential investors will need to know when you plan on paying back their money and how much their investment will be worth when it is returned. Therefore, an exit strategy is essential in answering their questions.

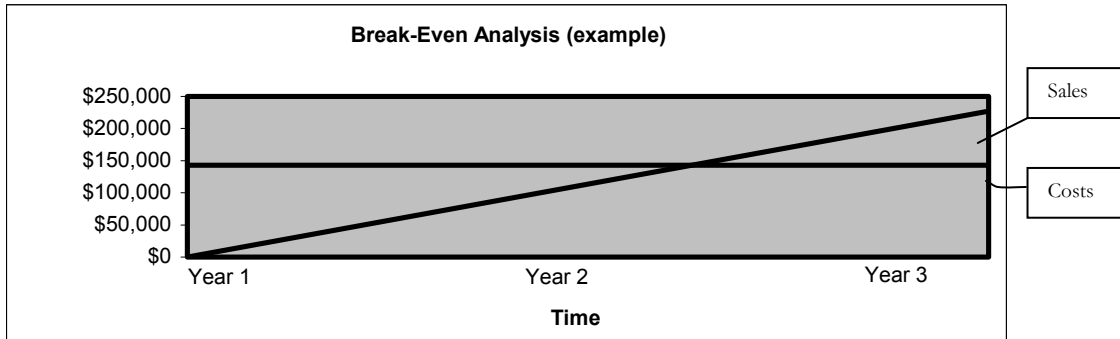
Financial summary (example):

Startup Capital



XYZ Landscaping is seeking \$100,000 of startup cash in exchange for 33% ownership in the company. \$57,000 of this money will be used for purchasing equipment and the remainder will be used as working capital.

Funding Source	Amount	Use
Founder Investment	\$20,000	Labor payroll, year 1
Commercial Bank Loan	\$57,000	Fifty percent of capital expenditures
Private Investor	\$100,000	Operating capital, 50% of capital expenditures



Exit Event

Investors can expect an exit event after the fifth year of operations in a buyout by XYZ Landscaping’s principal founders.



Human Resource Management

Finding and retaining good help is a key challenge in the landscaping industry. Businesses that develop strategies to address key human resource issues spend less time and effort (and therefore less money) recruiting and retaining employees.

This appendix should address the following issues:

Recruiting:

Where do you plan on finding your employees?



- **Word of mouth:** In a survey of landscapers throughout New York State, more than half responded that the best option for finding good help was through word of mouth.
- **Newspaper ads** work well, but may attract a large amount of undesirable people. In such a case, proper screening practices may effectively narrow down your choices.

How do you determine who is the best person for the job?



- **Application:** Use a standard job application, available at your local office supply store. Ask the prospective employee to summarize his experience with landscape-specific tasks, such as machinery operation. And always check references
- **Interview:** Ask the prospective employee to describe what he would do in some hypothetical situation. Discuss previous experience.

RISK MANAGEMENT: FINDING AND RETAINING GOOD HELP

A survey of landscapers revealed the following strategies for finding and retaining good help:

- I find my best employees through word of mouth.
- Training, expressed appreciation, and working hands-on helps retention.
- Offer competitive wages and benefits such as retirement, bonuses, and vacation time.
- Provide year-round work.
- I hire people I have known for years.
- I offer a bounty for employees that refer new hires that last 1 month and 6 months.
- I help pay for employees' educations.

Retention:

How do you plan on keeping employees from leaving your company?



Financial incentives:

- Offer seasonal employees a seasonal bonus based on the amount of hours worked *if* they stay to the end of the season.
- Offer year-round and salaried employees performance-based bonuses based on timely project completion and/or sales.

Maintaining high morale:

- Keep employees informed and educated.
- Provide uniforms because they “contribute to your employees’ sense of pride, of belonging to ‘the team.’” (www.progardenbiz.com)
- Throw Seasonal parties (Fourth of July, Labor Day, etc).
- Regularly praise good work.

Communication:

How will you assure open communication throughout your company?



- Maintain an open door policy.
- Keep employees informed of strategic changes.
- A weekly paycheck letter is an excellent way to communicate.

Performance:

How will you assure that employees do their jobs correctly?



Develop duplicable training procedures by providing training manuals.

Enforce training with **performance evaluation quizzes**.

Review employee performance on a regular basis.

Laborer reviews should be done by management.

Management reviews should be done by both management and laborers.

Link performance to compensation by giving raises if and only if someone has an excellent performance appraisal, does exemplary work, and has learned all he can in a certain period of time.

Helpful Resources for Human Resource Management:



www.workforce.com

<http://www.progardenbiz.com/currentissue/HRanswers.html>

<http://www.bls.gov/oco/ocos172.htm>

Brock, Susan L., and Sally R. Cabbell. *Writing a Human Resources Manual: A Reference Guide for Managers*. Los Altos, CA. Crisp Publications, 1989.

Goss, David. *Human Resource Management: The Basics*. Thomson International Business Press. Boston, MA. 1997

Maloney, T. R., and K. T. Petracek. *Writing an employee handbook: A guide for farm managers*. Cornell University Press. 1994.

Vanderkooi, Charles. *The Employee Packet Sample*. Littleton, CO. Charles Vanderkooi, 1998.

Outsourcing Payroll:



Paying your employees requires an amazing amount of time-consuming paperwork. The government requires an accurate account of your payroll for tax purposes and your business should keep an accurate record of labor cost information for cost analysis. Because of the enormous amount of time required, many businesses outsource their payroll. Payroll companies exist in most communities and should be examined as a cost-effective alternative.

Spanish-Speaking Employees:



Spanish-speaking employees are becoming a more important part of the workforce everyday for landscaping businesses. If you hire Spanish speakers (it's illegal to refuse to hire anyone based on his country of origin or require that English be used in the workplace), be sure that they are eligible to work in the United States. You will need to file an I-9 Employment Eligibility Verification Form with the INS for all employees. This form can be found at www.ins.doj.gov. Proper identification must be submitted with each form.

Beware of fraudulent IDs. Also, be sure that you have someone on each jobsite who is bilingual. Encourage your Hispanic employees to learn English. They are dedicated and thoughtful workers and should be treated with respect.

RISK MANAGEMENT: DRIVING EMPLOYEES

Employees driving cumbersome, heavily-loaded company vehicles represent one of the largest liability risks in the landscaping industry. The following suggestions will lower your risk exposure:

- Purchase a vehicle insurance policy that covers multiple drivers.
- Driver safety courses will lower insurance rates, teach safe driving techniques, and lower the number of points on licenses.
- Check the driving records of all employees who will be driving company vehicles.
- Stay updated on employee driving records.
- If employees are driving their own vehicles on company time, be sure they have adequate insurance coverage.
- Report all accidents immediately, no matter how minor. Have your employees do the same.
- Check the working condition of lights, brakes, turn signals, tires, etc. on all company vehicles regularly.
- Train employees to properly tie down trees, materials, and equipment on all moving vehicles.
- Always cover loose debris.



Financials

The Financials section of your business plan will be closely examined by potential investors to determine if your business will succeed or fail. You must make realistic financial projections to indicate a credible investment opportunity. Even if you are not seeking outside funding, accurate financial projections are essential for successful strategic planning and decision making.

Creating realistic financial projections is very difficult if your business is a start-up because you have no concrete data upon which to base your assumptions. It will be necessary to work and rework your financials until everything fits together and makes sense as a whole.

The financial projections for your business should be computed for each of the first 12 months that you will be in business and for each quarter of your next 2 years in business. If your business already exists, also include financial statements for your past 3 years in business.

The right computer software can be an enormous help in completing the financials section of your business plan. Dedicated business planning programs include: Business Plan Pro, Plan Ware, and Plan Magic. Financial programs such as QuickBooks also offer templates that will help compute your financial tables.

Finally, you should realize that accurately completing and understanding three years of financial projections is a difficult and daunting task. Don't hesitate to seek out the help of a qualified professional. The extra money required to hire a CPA to help you with your financials could save you an enormous amount of time and headaches.

Start-up costs:



Start-up costs are everything that you will need to get your business up and running. Include everything you will need to operate for three years.

Tools, trucks, equipment	\$
Materials, supplies, parts	\$
Office supplies	\$
Building improvements	\$
Legal and professional fees	\$
Licenses and permits	\$
Insurance fees	\$
Advertising	\$
Operating cash	\$
Owner's draw prior to start-up	\$
Contingency	\$
Total	\$

Sales forecast:



Predict what your sales will be during the first twelve months in business and for each of three years thereafter. Remember to include some lag time in your sales forecast. In order to make the transition from your sales forecast to your income statement easier, you may want to create three sales forecast charts: one for landscaping sales, one for maintenance sales, and one for other sales.

Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Yr1 total	1st qtr, Yr2	2nd qtr, Yr2	3rd qtr, Yr2	4th qtr, Yr2	1st qtr, Yr3	2nd qtr, Yr3	3rd qtr, Yr3	4th qtr, Yr3	
Door-to-Door Sales																							
Yellow Pages Sales																							
Direct Mail Sales																							
Repeat Sales																							
Referrals																							
Other Sales																							
Total Sales																							

Personnel plan:



In your personnel plan, list all of your employees' wages/salaries. Plan on wages/salaries increasing over time due to inflation and to employee retention.

Payroll burden represents the percentage of a worker's wage/salary it costs to have an employee, including social security, worker's compensation, health insurance, and other benefits you have decided to offer. Typically, payroll burden is at least 20% of wage/salary for landscaping business employees. In order to keep your business plan relatively simple, use an average estimate in your personnel plan.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr1	1st qtr, Yr2	2nd qtr, Yr2	3rd qtr, Yr2	4th qtr, Yr2	1st qtr, Yr3	2nd qtr, Yr3	3rd qtr, Yr3	4th qtr, Yr3	
Owner/Gen Mgr																						
Office Mgr																						
Landscape Architect/Sales Director																						
Field Supervisor																						
Maintenance Foreman																						
Landscape Foreman																						
Landscape Laborer(s)																						
Maintenance Laborer(s)																						
Payroll Burden (%)																						
TOTAL PAYROLL																						

Pro-Forma Income (profit and loss) Statement:

Your income statements (income, operating expenses, and overhead) show if you're making a profit after all your sales are made and all your bills are paid.

Beware of predicting that your business will operate at full capacity during its start-up phase. It will take some time to build up to full capacity.

Income:



Predict your income for landscaping, maintenance, and other categories based on prices generated in chapter 10 for labor, equipment, and materials.

Be sure that your income predictions are consistent with your sales forecast and your personnel plan (and vice versa).

Also, be aware of the seasonality of the landscaping business. Many landscapers offer a snow removal service during the winter to make greater use of equipment and year-round labor.

Income	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr1	1 st qtr, Yr2	2 nd qtr, Yr2	3 rd qtr, Yr2	4 th qtr, Yr2	1 st qtr, Yr3	2 nd qtr, Yr3	3 rd qtr, Yr3	4 th qtr, Yr3
Landscaping Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labor																					
Equipment																					
Materials																					
Maintenance Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labor																					
Equipment																					
Materials																					
Other Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labor																					
Equipment																					
Materials																					
TOTAL INCOME																					

Operating Expenses (variable costs)



Operating expense is the amount that it costs your business to deliver its services to customers. Include in this section any costs to your business that change as the amount of work being done changes.

Operating Expenses	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr1	1 st qtr, Yr2	2 nd qtr, Yr2	3 rd qtr, Yr2	4 th qtr, Yr2	1 st qtr, Yr3	2 nd qtr, Yr3	3 rd qtr, Yr3	4 th qtr, Yr3	
Labor																						
Labor costs																						
Payroll burden																						
Equipment																						
Hourly equipment costs																						
Rental equipment costs																						
Maintenance/Repairs																						
Fuel costs																						
Materials																						
Plants																						
Other materials																						
Other																						
TOTAL OPERATING EXPENSES																						
Gross Profit (income minus operating expenses)																						

General Overhead (fixed costs)



A business's overhead represents the total expense that it requires to stay in business, whether or not it is making sales.

General Overhead	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr1	1 st qtr, Yr2	2 nd qtr, Yr2	3 rd qtr, Yr2	4 th qtr, Yr2	1 st qtr, Yr3	2 nd qtr, Yr3	3 rd qtr, Yr3	4 th qtr, Yr3	
Accounting																						
Advertising																						
Depreciation																						
Insurance																						
Interest																						
Legal																						
Licenses																						
Office Supplies																						
Rent																						
Salaries																						
Taxes																						
Telephone																						
Utilities																						
TOTAL OVERHEAD																						
Net Profit (gross profit minus overhead)																						

Pro-Forma Cash flow statement:

It is extremely important to conduct a thorough cash flow analysis for your business before you begin operation. Your business may look profitable on paper, but if you don't have enough cash in the bank at any given time to pay your bills or pay your people, you will be in serious trouble.

One item of note, especially in the landscaping business, is that you can't always count on clients paying their bills on time. Therefore, you must anticipate late accounts, and even non-payments, and plan accordingly.

Most landscaping businesses that fail do so because they run out of cash.

Cash Flow Statement



Cash in Bank represents how much money you have in the bank at the beginning of the month. After your first month in business, simply carry over the **Cash Balance** from the previous month.

Petty Cash is money that is set aside for small, unplanned expenses.

Cash Sales are from clients who pay you immediately with cash or check.

Anticipated Collections are finished jobs that you have already billed your client for.

Disbursements represent everything that you foresee spending money on in a given month, including payroll, material purchase, payments on charge accounts, loan repayments, etc.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr1	1 st qtr, Yr2	2 nd qtr, Yr2	3 rd qtr, Yr2	4 th qtr, Yr2	1 st qtr, Yr3	2 nd qtr, Yr3	3 rd qtr, Yr3	4 th qtr, Yr3	
1. Cash in Bank (start of month)																						
2. Petty Cash (start of month)																						
3. Total Cash (add 1 & 2)																						
4. Anticipated Cash Sales																						
5. Anticipated Collections																						
6. Other Anticipated Income																						
7. Total Receipts (add 4, 5, & 6)																						
8. Total Cash Receipts (add 3 & 7)																						
9. All Disbursements																						
10. Cash Balance(=8-9)																						

Pro-Forma Balance sheet:

The balance sheets (current assets; fixed assets; and liabilities and net worth) represent the financial health of your business. They show the total assets (cash, etc.) that the business owns, subtract the total money that the business owes, and demonstrate the business’s net worth. Net worth is a measure of the ability a firm to bear risk.

Balance Sheet: Current Assets



Current assets are “cash or property that can be converted to cash in a short period of time,” typically within the current fiscal year. (www.entreworld.com)

Adjusted accounts receivable is the amount of money that your clients owe you minus the amount of money that you do not foresee being able to collect.

Prepaid expenses include items such as insurance payments that are generally paid once or twice a year.

Inventory represents all materials on hand that have not been sold or designated for a particular job, and includes such items as plant material, mulch, soil, fertilizer, pesticide, grass seed, unused fuel, etc.

CURRENT ASSETS	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr1	1 st qtr, Yr2	2 nd qtr, Yr2	3 rd qtr, Yr2	4 th qtr, Yr2	1 st qtr, Yr3	2 nd qtr, Yr3	3 rd qtr, Yr3	4 th qtr, Yr3	
Cash:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash in Bank																						
Cash in Hand																						
Petty Cash																						
Accounts Receivable																						
Less Allowance for Bad Debts																						
Adjusted Accounts Receivable																						
Prepaid Expenses																						
Inventory																						
TOTAL CURRENT ASSETS																						

Balance Sheet: Fixed Assets



Fixed assets include equipment, buildings, and any other property that lasts more than one year, which you won't be selling in the foreseeable future. Your fixed assets are listed in the capital expenditures and depreciation section.

Depreciation is the amount the value of your equipment decreases over time.

FIXED ASSETS	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr1	1st qtr, Yr2	2nd qtr, Yr2	3rd qtr, Yr2	4th qtr, Yr2	1st qtr, Yr3	2nd qtr, Yr3	3rd qtr, Yr3	4th qtr, Yr3	
Land																						
Buildings																						
Equipment and Fixtures																						
Vehicles																						
Less Allowance for Depreciation																						
TOTAL FIXED ASSETS																						
TOTAL ASSETS																						

Balance Sheet: Liabilities and Net Worth



Liabilities are the money that you owe, including loans that you will pay in the current fiscal year (current liabilities) and other investments in your business that you foresee repaying after the current fiscal year (long-term liabilities), as well as vendor credits, equipment leases, payroll, and sales taxes.

Current liabilities are the money that you owe, due before the end of the current fiscal year.

Long-term liabilities are the money that you owe, due after the end of the current fiscal year.

LIABILITIES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr1	1st qtr, Yr2	2nd qtr, Yr2	3rd qtr, Yr2	4th qtr, Yr2	1st qtr, Yr3	2nd qtr, Yr3	3rd qtr, Yr3	4th qtr, Yr3	
Current Liabilities																						
Accounts Payable																						
Notes Payable (due w/in one year)																						
Payroll Taxes, Current																						
Sales Taxes, Current																						
Total Current Liabilities																						
Long-Term Liabilities																						
Notes Payable (due after one year)																						
TOTAL LIABILITIES																						
NET WORTH (OWNER'S EQUITY)																						
LIABILITIES AND NET WORTH																						

Capital expenditures and depreciation:

In order to run a successful landscaping business, it will be necessary to invest in the right equipment. The right equipment can save an enormous amount of time and labor and should be carefully considered when completing your business plan.

If you plan on running a business that relies heavily on installations for its revenue, invest an appropriate percentage of your capital expenditures on installation equipment. Likewise, if your business will be maintenance-oriented, invest a proportionate amount on maintenance equipment.

Also include in this section office equipment and necessary building and land improvements.

Capital expenditures require an initial outlay of cash for purchase, and depreciate in value with time and use. Because different investments have different life spans, it is important that you determine the lifespan of a piece of equipment and factor its cost to you each year into your financial projections (balance sheet). If you can determine the yearly depreciation, simply divide by twelve in order to determine the monthly depreciation.

If you are unsure of the lifetime of a particular piece of equipment, there are several estimators that may be of help. In particular, www.ironmax.com has some very useful information.

Item	Cost	Annual Depreciation	Monthly Depreciation
TOTAL			



Resume

When you have finally put together your business plan and have begun to present your business idea to potential lenders, you will learn very quickly that potential investors are interested in more than a solid business plan. They also want to see that you, as a person, have integrity, enthusiasm, and the appropriate background for starting a landscaping business. Therefore, in order to convince potential investors that you are the right person for the job, you must include a thorough, up-to-date resume.

In your resume, include past education, employment, experience in business leadership, community involvement, and other indicators of character and skill. You should also show that you have experience and integrity in paying back creditors on time. Furthermore, to show that you have experience with successfully creating and maintaining landscapes, include a portfolio of projects that you have worked on in the past.

Your Resume:



Name: _____

Education:

- High School: _____
- College: _____
- Advanced Degrees: _____
- Other Education (seminars, etc.): _____

Work Experience (include dates and skills):

- Horticultural: _____
- Construction: _____
- Business Management: _____

Volunteer Experience (include dates and skills):

- Horticultural: _____
- Other: _____

Interests and Activities:

- Horticultural: _____
- Other: _____

Goals and Objectives: _____

Professional References: _____

Portfolio: (Include photographs, landscape plans, drawings, etc.)

Risk Management

Risk management is “the process of analyzing and managing risk to reduce the frequency, severity or unpredictability of accidental losses” (www.entrepreneur.com). A business plan is an important risk management tool. Be sure that your business plan addresses the risks outlined in this section.

Landscapers deal with risk everyday. Understanding key risks associated with running a landscaping business is crucial to successfully turn risk into reward.

A well-thought-out risk management strategy is an essential part of any business plan and *will* lead to lower insurance rates in this time of skyrocketing premiums. It will also prepare you to confidently confront changes in the economy, changes in your market, and changes to your own business.

Types of Risk

What are the risks associated with landscaping?



According to the USDA, there are **five primary sources of risk**. Analyze your business to minimize its exposure to these five areas.

1. **Production Risk:** For landscapers, production risk refers to variability in the outcome of expected sales. For example, if you expect your business to make 75% of its income from landscape installations, and bad weather conditions limit your ability to make sales, you risk losing 75% of your income. What should you do to minimize production risk? Diversify your service offerings. If your income is distributed among several different services, your business has a greater chance of surviving should sales from one of your services decline drastically.
2. **Marketing Risk:** Changes in the economy, landscaping industry, competition, and your customer base all can be classified as marketing risks. If the market that you serve changes, your business must be prepared. Market changes can include price fluctuations, new competitors, or a changing customer demographic. Competitors that compete solely on low prices (aka low-bidders) are a constant marketing risk in the landscaping industry. What can your business do to limit marketing risks? To start with, you should conceive a well-defined

marketing plan. Familiarity with your market, especially with changing economic conditions that might alter key market drivers within the landscaping industry, will help you adjust to change without any sudden surprises. Finally, most landscapers advise sticking to your marketing plan. Don't change your prices because your competition is cheaper. If your marketing plan is well-researched and well-conceived, your business's consistency and fairness will only contribute to its success.

3. **Financial Risk:** Assess the financial health of your business with the following financial analysis tools: (adapted from *Anatomy of a Business Plan* by Linda Pinson)

- **Current Ratio**= $Current\ Assets / Current\ Liabilities$ (from Balance Sheet)

The current ratio is a measurement of your ability to pay off current debt quickly. A current ratio of 2.0 means that your business could sell or use 50% of its sellable assets and still retain the ability to cover its current liabilities. A current ratio below 1:1 indicates a high debt load, which is very risky.

- **Net Profit Margin**= $(Net\ Profit / Total\ Income) * 100\%$ (from Profit and Loss Statement)

Net profit margin indicates how effective your company is at converting revenue into actual profit. It is a good way to compare your company to other landscaping companies and to industry averages.

- **Return on Investment**= $[(Net\ Profit + Interest) / Total\ Assets] * 100\%$ (from Balance Sheet)

Return on investment (ROI) represents the percentage that an investment in your business increases in value each year. The ROI for your business should ideally be higher than the ROI for low-risk investments such as certificates of deposit (CDs).

- **Debt to assets ratio**= $Total\ Liabilities / Total\ Assets$ (from Balance Sheet)

The debt to assets ratio indicates the percentage of your business that is financed by other people's money. A high ratio shows that your business is heavily in debt, making it a high risk for failure. While a business that is starting up may have a high ratio because of the amount of money necessary for initial investment, you should demonstrate that your debt to assets ratio will decrease over time.

4. **Legal risk:** Consult a lawyer to identify and thwart legal risks associated with the landscaping business. Issues that should be considered include appropriate legal business structure and tax planning, contractual arrangements, liability and insurance issues, and statutory compliance with environmental issues. Be sure to attain necessary business licenses and appropriate insurance coverage.

5. **Human Resource Risk:** Your company's employees can be its largest source of risk. However, proper HR management can also be the solution to a lot of risk. Employee safety and performance can be managed to lower insurance premiums, as well as turnover, which can be expensive. Also, be aware of legal risks associated with employee relationships, such as hiring and firing practices. Regularly scheduled times for reviewing goals and performance as well as regular safety meetings will decrease your HR risk. See Appendix A for more details.

Dealing with risk

Alternatives to commercial insurance.

1. **Non-insurance:** Suited to risks that are preventable or predictable. If you can't afford insurance premiums, you definitely can't afford the loss of not having insurance.
2. **Loss prevention:** Reducing the probability of loss. Health maintenance, fire prevention, safety training, etc. Usually results in premium reductions.
3. **Risk transfer:** Transferring risk to an entity other than commercial insurers. You can lease or rent vehicles and equipment, so the lessee pays insurance costs. Subcontracting shifts insurance burden to subcontractors (though you are responsible to make sure they're covered.) Don't maintain inventories of plants and other materials. Go straight from the supplier to the customer.
4. **Self-insurance:** Need huge capital investment. Not likely for most landscapers.

Commercial Insurance

What types of Insurance do I need to start a landscaping business?

*(see www.investorwords.com for definitions)

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Business liability 2. Worker's Compensation 3. Vehicle | <ol style="list-style-type: none"> 4. Bonds (license bonds, completion bonds, etc.) 5. Other: Health, Fire, Property, Business Interruption, Theft, etc. |
|---|--|

Where should I go to get insurance?

- Independent Agent: Can seek quotes from different companies. Usually cheaper.
- Company Agent: Works for only one company.
- Use an insurance agent with experience covering the landscaping industry.

What measures can I take to lower my insurance premiums?

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Employee manual ▪ Regular safety meetings ▪ Good safety record ▪ Recheck insurance every year and shop around for the best rates ▪ Trade between high deductibles and low premiums and vice versa. Go with the | <ul style="list-style-type: none"> ▪ highest deductible you can afford and save money on premiums. ▪ Rates set by claims record, driving record of your staff, the types of vehicles you own, and the age and value of equipment you're covering. (See page 24 for more details) ▪ Talk to your insurance agent. |
|--|---|



Resources

In this section, include any and all sources you used to create your business plan. The list that follows includes sources that were used in putting together this business planning guide. They will be just as helpful in putting together your landscaping business plan. Good luck!

Landscaping Resources:



Angley, Steven; Edward Horsey; David Roberts. *Landscape Estimating and Contract Administration*. Delmar Thomas Learning. Albany, NY. 2002.

Associated Landscape Contractors of America/National Landscape Association. *ALCA/NLA Operating Cost Study*. Associated Landscape Contractors of America, Reston, VA, 1994.

Dell, Owen, E. *How to Start a Home-Based Landscaping Business, 3rd Ed.* The Globe Pequot Press, Old Saybrook, CT, 2000.

Dietrich, Norman L. *Kerr's Cost Data for Landscape Construction: Unit Prices for Site Development*. Van Nostrand, Reinhold, NY.

Eckel, Howard with Charles Vander Kooi. *Growing and Staffing Your Business*. Charles Vander Kooi, Littleton, CO, 1990.

Fee, Sylvia H. *Landscape Estimating Methods, 3rd Ed., Revised and Expanded*. R.S. Means Company, Inc., Kingston, MA, 1999

The Gallup Organization, Inc. *The National Gardening Survey*. Conducted annually for the National Gardening Association, 1100 Dorset St, South Burlington, VT 05403.

Griffin, James M. *Landscape Data Manual*. California Landscape Contractor's Association, Sacramento, CA, 1970, rev. 1978.

Hensley, David L. *Professional Landscape Management*. Stipes Publishing, LLC, Champaign, IL, 1994

Knoblauch, W., et al. *Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises*. Northeast Regional Agricultural Engineering Service, Cornell University, Ithaca, NY, 1988.

Marsh, Joseph H., et al. *A Guide to Developing a Landscape Maintenance Business*. ALCA Landscape Maintenance Division, 1985.

Vander Kooi, Charles. *The Employee Packet Sample*. Charles Vanderkooi, Littleton, CO, 1998.

White, Gerald B., and Wen-fei L Uva. *Developing a Strategic Marketing Plan for Horticultural Firms*. Cornell University, Ithaca, NY, 2000.

Business Resources:



Bangs, Jr., David H. *The Business Planning Guide: Creating a Plan for Success in Your Own Business, 8th Ed.* Upstart Publishing Company, Chicago, IL, 1998.

Goss, David. *Human Resource Management: The Basics*. Thomson International Business Press, Boston, MA, 1997

Hendricks, Mark. *Entrepreneur Magazine's Creating a Successful Business Plan*. Entrepreneur Media, Inc, 1999.

Maloney, T. R., and K. T. Petracek. *Writing an employee handbook: A guide for farm managers*. Cornell University Press. 1994.

Pinson, Linda. *Anatomy of a Business Plan*. Dearborn Trade Publishing, Chicago, IL, 2001.

Pisoni, Mark E. and Gerald B. White. *Writing a Business Plan: A Guide for Small Premium Wineries*. Cornell University, Ithaca, NY, 2002.

Steingold, Fred S. *The Legal Guide for Starting and Running a Small Business*. Nolo Press, Berkeley, CA, 1996.

Online Resources:



American Nursery and Landscape Association:
<http://www.anla.org>

Associated Landscape Contractors of America: <http://www.alca.org>

Bizplanit. www.bizplanit.com

Bureau of Labor and Statistics:
<http://www.bls.gov>

<http://www.infods.com>

Business Term Definitions: www.entreworld.com,
www.investorwords.com, www.businessstown.com

Equipment estimator: www.ironmax.com

Follow links to Industry Research at:
<http://lawnandlandscape.com>

Follow links to the State of the Industry Report at:
<http://landscapemanagement.net>

Human resources and employment law:
www.workforce.com

Reference USA online database:
<http://www.referenceUSA.com>

Small Business Administration: www.SBA.gov

OTHER A.E.M. EXTENSION BULLETINS

EB No	Title	Fee (if applicable)	Author(s)
2003-12	New York Greenhouse Business Summary and Financial Analysis, Derived from 2001 Business Records	(\$10.00)	Uva, W., and Richards, S.
2003-11	Dairy Farm Business Summary, Southeastern New York Region, 2002	(\$10.00)	Knoblauch, W., Putnam, L., Hadcock, S., Hulle, L., Kiraly, M., and Walsh, J.
2003-10	Dairy Farm Business Summary, Central Valleys Region, 2002	(\$10.00)	LaDue, E., Hiits, J., Staehr, A., Kurdieh, Z., Radick, C., Karszes, J., and Putnam, L.
2003-09	Dairy Farm Business Summary, Northern Hudson Region, 2002	(\$10.00)	Conneman, G., Putnam, L., Wickswat, C., Buxton, S., Siira, J., and J. Karszes
2003-08	DFBS New York Large Herd Farms, 300 Cows or Larger 2002		Karszes, J., Knoblauch, W., and Putnam, L.
2003-07	Community Supported Agriculture Pricing and Promotion Strategies: Lessons from Two Ithaca NY Area Farms		Conner, D.
2003-06	Doing Business Together: A Joint Business Agreement Guide	(\$12.00)	Richards, S.
2003-05	Lake Erie Grape Farm Cost Survey 1996-2000		Shaffer, B., and White, G.
2003-04	Dairy Farm Business Summary, Western and Central Plain Region, 2002		Knoblauch, W., Putnam, L., Karszes, J., Hanchar, J., Murphy, J., Barry, J., Richards, S., and Allhusen, G.
2003-03	Case Stories of Farm Transfer	(\$12.00)	Richards, S., McGonigal, J., Claypool, E., Freeman, R., Petzen, J., Grace, J., New, D., Ames, M. and Kurdieh, Z.
2003-02	Customer Relationship Marketing (CRM) Current Status and Prospects for the Food Retailing Industry		Hawkes, G.F.

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