




# BUSINESS MANAGEMENT

AMERICAN SOD PRODUCERS ASSOCIATION

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APRIL 22 -- 'EARTH DAY '91'

IDEAL TIME TO SHOW SOD'S  
ENVIRONMENTAL IMPACT

Turfgrass sod has a wide variety of proven environmental benefits, but too few people are fully aware of them. April is the ideal month to take action because it is a time when many people begin their return to their own "great outdoors." April is also National Garden Month, National Lawn Care Month and National Recycling Month. Earth Day will be celebrated on April 22 in most areas. The media will most likely be looking for ways they can focus attention on these special topics, with all of the local angles they can find.

ASPA members can use any of the articles, artwork and other information contained in various issues of the "Journal of Turfgrass Environment" to help get their points across.

Ideas to consider would include school or garden club farm tours, coloring contests for younger children, demonstrations of turf's water cleansing capabilities, etc. Holding a "media day" at the farm could also be beneficial and help garden and city writers gain a better understanding of how sod is produced and how its environmental benefits can help the community.



FAMILY BUSINESSES...  
DECIDING WHAT'S RELATIVE

Because a very large proportion of turfgrass sod farms are family owned and operated businesses, the issue of family member involvement and participation (or lack of it) has and will determine the success or failure of many operations. The following points are suggested by Ron Drucker, co-author of "Your Family Business," and director of Laventhol & Horwath's family business practice.

An over-riding recommendation from Mr. Drucker is that the family firm develop written policies for hiring, promoting and compensating family members. Included in the policy would be guidelines that:

1. Require children and other family members work outside the business for at least three years before joining the company. The new knowledge and experiences gained by this step will help the family member focus on the future, and bring new, outside views to the firm.
2. Require family members entering the business to satisfy the same entry requirements as non-family members. The entry requirements were established by the firm for a reason. If they protect the company from non-family member employment mistakes, the same would hold true for family members.
3. Establish limits on the number of family members allowed to join the business. If the firm is going to continue to grow, remain competitive and prosper, the business cannot absorb an unlimited number of family employees. Automatically hiring family members also precludes being able to bring in new non-family recruits that may have talents and expertise the firm needs.
4. Should children decide to leave the family business, refrain from using guilt or threats to keep them in the company. Holding anyone "hostage" isn't positive for them or the company. If the business owners seriously want the person in the future, allowing them to depart with the knowledge that they can always return will prove more beneficial.

COMPLETE CORPORATE MINUTES  
CAN SAVE COUNTLESS HOURS

Complete and accurate corporate minutes, while appearing to be a time-consuming hassle, can save the firm untold hours and many dollars,

A company's corporate minutes record and help substantiate why many decisions were made. This can be helpful, perhaps even essential, in areas such as compensation, dividends and retained earnings. For example, if the company's minutes reflect how a top executive-owner's salary was determined, a tax challenge for over-payment can be met head on.

Another tax aspect that corporate minutes can clarify regards retained earnings. A tax examiner may challenge a retention; however, if the minutes clearly show plans for expanding the company with accumulated-earnings, the tax case is significantly weakened.

Before the new calendar year gets too much older, set up a meeting with your firm's attorney to review past corporate minutes and establish a plan to maintain current minutes in the future.

## COST SEPARATION - A MANAGEMENT NECESSITY

Prepared by John McPhail, Chairman  
ASPA Business Management Committee

Many of us at a year-end have asked ourselves the question, "Why wasn't the bottom line larger than it was?" We planned that profits would be higher. We sold the planned volume and got the planned price for our sod. What happened? Did we really anticipate all costs?

To understand total costs, we must do an all inclusive cost separation that gives a real view of what an individual cost is. A good example of this is examining the all of the parts of actual delivery costs. The following is a list of possibilities:

### EQUIPMENT (Delivery)

- Truck / Trailer
- Unloader / Tarp / Tiedowns
- Interest
- Depreciation
- Repair and Maintenance
- Payroll
- Registration
- Insurance
- Log books

### OPERATING EXPENSES (Delivery)

- Fuel
- Fuel taxes and/or Highway Use Taxes
- Driver Payroll - (Health insurance, Social Security, Unemployment, etc.)
- Dispatch Payroll
- Telephone
- Misc. (Drivers' uniforms, etc.)

As you can see, delivery costs are made up of more than just the truck and driver. To pre-suppose differently when budgeting can lead to year-end bottom line surprises.

Knowing all of your costs is essential to proper management. You can have more control over your costs if you understand them and anticipate them "out of the gate." Better planning and controlling costs can give you the competitive edge and get you the bottom-line you look for.

### MEMBER MARKETING TIP:

Prepared by William Campbell, Business Management Committee Member  
Fairlawn Sod Nursery, Lynden, Ontario

Direct mail is an economical and efficient way to contact potential customers. The key is having a complete and accurate mailing list. If you are targeting businesses over a large area, buy a mailing list. For a limited area, get copies of the "Yellow Pages" from a local library and photocopy the needed categories. Another source is the membership list of industry associations. For new, unlisted operations, check newspaper ads operating landscaping services.

An inexpensive mailing list program for your computer makes it easy to record and update your lists and to print the address labels.



When 'Loyalty' Is 1-Penny/Foot  
RETAINING CUSTOMERS RETURNS DIVIDENDS

Some say that customer loyalty in the turfgrass sod business amounts to about one-cent per square foot! In some markets, sod has practically become a commodity, where price alone may determine the sale. In other markets, factors such as product quality and a whole host of customer service items are added to basic price in closing a sale. No matter which scenerio is operating, it will always be more cost-efficient to retain an existing customer than it is to find a new one.

Industry-crossing statistics provide the following profit oriented reasons to fight for customer retention:

Raising customer retention rates from 80% to 90% doubles the average lifetime of a customer relationship.

It costs 5 to 10 times more to acquire a new customer than to service an existing one.

Repeat customers almost always expand their average order volume over time. It is also less time-consuming, and therefore less costly, to serve them because both sides to the transaction understand what is needed.

Loyal, long-term customers are often willing to pay a price premium for valued services.

Repeat customers tend to refer other customers to the company.

"Boardroom Reports," a monthly publication for business owners, suggests, "A reasonable strategic target for companies...Zero customer defections among customers whose businesses are profitable to the company." With this as a goal, the publication notes that 15% to 20% annual average customer losses are typical.

To focus on customer retention, "Boardroom" recommends establishing a system to capture customer names, addresses and purchasing patterns so the firm can more easily track and predict retention or loss.

If retention rates are slipping, the first defense is to directly ask the defecting customer why they aren't buying from your firm at they levels they had previously. If it's a service issue, then determine if the cost to add that service will help retain that customer and others as well. If it's a single-issue customer, you may be best advised to forego that customer rather than spending money or time on something that doesn't seem to matter to many others.

Marketing plans should be developed, reviewed and studied to determine what is most effective in retaining customers. Establishing targets to attract customers who are likely to consider your firm's products or services a good value will help retain old customers and gain new ones at the same time.

PAYMENT POLICIES...A LONG VIEW TOWARD PROFITS

Payment terms adjusted to meet individual customer needs, can be as attractive a competitive edge as price alone.

If your pricing is at or above a competitors, consider offering better payment terms, for example net 60 as opposed to net 30.

If you're already lower than your competition, you can compensate for your lower profit margins by making your payment terms net 10 or 15 days, rather than the standard net 30.