

Making Do or Buying New?

Some contractors repair vs. replace, while others continue to buy. However, most try to become smarter shoppers.

By Julie Collins & Nicole Wisniewski

Jon Sternfels of Jonboy Landscaping in Detroit knows all too well how expensive running a landscape company can get. In the past two years, he purchased a lot of new equipment to keep up with his company's growth from \$395,000 in 2008 to \$445,000 expected this year. But as the economy suffered, Sternfels realized buying new every time was going to get too pricey.

Now an extensive repair-maintenance program ensures existing equipment lasts as long as possible. "One of our biggest expenses was repairs, and a lot of repairs were due to negligence," Sternfels says. So the company started training employees on proper use, maintenance and repair. "Since we've instilled that, we've cut in half the number of things getting broken or breaking down, which saves the company a lot of money."

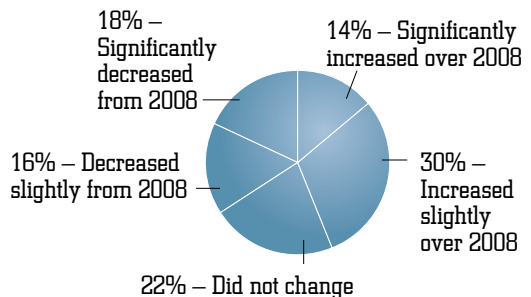
"Before, if the guys needed a small tool, they'd just go and buy it. It's amazing how much you spend when you have so much work. We were making money so it was acceptable in a way to have a few inefficiencies," says the owner of Scottsdale, Ariz.'s Jeff Berghoff Design Group, adding that this included buying new pruners or blades instead of sharpening them. "Nowadays we've put a freeze on that – everything has to be approved and we're really watching our bottom line. We have to buy smart and take advantage of deals when we see them." For the same reasons, the company purchases items in bulk through wholesalers and cut additional costs by negotiating better cell phone rates.

In addition to smarter purchasing, "repair before replace" has become the mantra of many landscape contractors now that money is tight. In fact, 70 percent of contractors said they are holding on to equipment longer than usual compared to two years ago. Only 29 percent said they are replacing equipment as often as they usually do and 1 percent say they are replacing it more frequently.

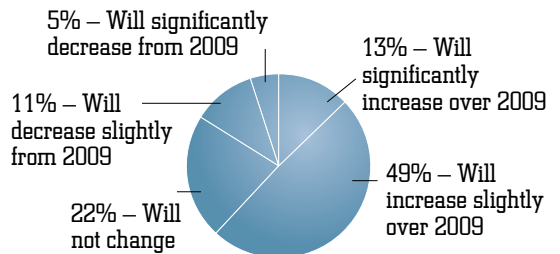
In-house repairs have become key for many pros. William Prout of Fallen Leaf Lawn & Yard Care in Stamford, Conn., makes most repairs himself, unless it's a complicated fix he doesn't have the tools to tackle. Mark Lay of AA Tex Lawn Co. in Charlotte, N.C., beefed up the company's mechanic staff. "We hired an excellent mechanic last year and brought all repairs – changing tires, rebuilding engines – in-house," Lay says.

Eye on Equipment

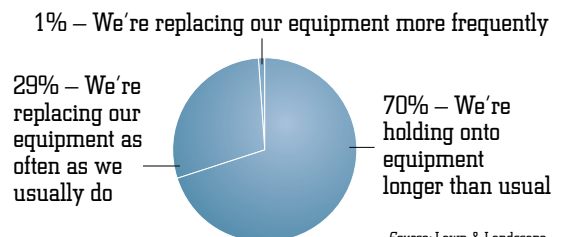
How would you characterize your 2009 equipment budget?



What do you project for your 2010 equipment budget?



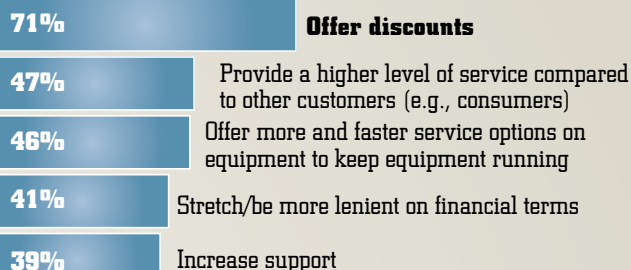
How long are you holding on to equipment today vs. two years ago?



Source: Lawn & Landscape

Seeking Support

In today's economy, what do you expect from your equipment dealers/suppliers/distributors?



Source: Lawn & Landscape

However, not all contractors reported frozen or decreased equipment budgets. In some cases, buying new equipment ended up saving a company in the long run. For instance, Berghoff recently purchased a reach-out forklift. "Over the years, we have spent a lot of money renting one to move big trees around sites," he says. "Why keep renting or paying someone else to do what we could be doing in-house?"

Decisions like this could explain why a number of contractors – 44 percent – increased equipment budgets this year, 34 percent decreased them and 22 percent held them steady. Compare this to the general small business community – only 16 percent of which plan to make capital expenditures over the next three to six months, according to the NFIB's September Small Business Survey. According to American Express OPEN's September Small Business Monitor, only 27 percent of small business owners say the plan to increase spending on business development, such as advertising, inventory and capital expenditures, which is up from 23 percent in July, while 43 percent plan to decrease spending. Among those general small business owners reporting growth for their firms, 13 percent say these opportunities came because they had the ability to renegotiate equipment leases and supply contracts.

In 2010, 62 percent of contractors plan to increase equipment budgets, 16 percent say they will decrease them and 22 percent won't change them at all. **soi**

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Where the Money Went

EQUIPMENT TYPE	2009 AVG. EXPENDITURE	% CHANGE FROM 2008
Mowers (riding and walk-behind)	\$19,372	-0.4%
Construction equipment (skid-steers and attachments, mini skid-steers, excavators, trenchers)	\$74,439	2%
Sprayers & Spreaders	\$3,647	37%
Trucks & Trailers	\$45,619	-13%
Handheld equipment (backpack/handheld/walk-behind blowers, trimmers/edgers, chainsaws, landscape tools)	\$5,387	-26%
Equipment rentals	\$4,668	4%
Trees/shrubs/plants/seed/sod	\$65,834	-8%
Design/build (landscape lighting, retaining walls, paver/patio products, water features)	\$48,483	-27%
Irrigation products	\$27,265	-3%
Chemical products (herbicides, insecticides, fertilizers, fungicides, PGRs, tree care products, perimeter pest products, organic fertilizers, biologicals)	\$34,446	4%
Snow & ice melting products	\$22,181	2%
Technology (computers, business/design software, GPS systems/software)	\$6,120	-29%

Source: Lawn & Landscape