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Topic/title: Tree Fertilization & Insect Preventive Maintenance

HTPLIP: From chapter 34 of How to Price Landscape & Irrigation Projects

MS Excel Figure worksheets (attached)

- Figure 34-1 Tree fertilization, 2 man crew
- Figure 34-2 Tree fertilization with increased profit margin
- Figure 34-3 Tree insect preventive maintenance, 1 man crew
- Figure 34-3 Tree insect preventive maintenance with increased profit margin

PURPOSE: To explain and outline the process for pricing tree fertilization and insect preventive maintenance work

INTRODUCTION

Like lawn and shrub fertilization and insect control, the same services provided by a qualified arborist, can be very lucrative. Operational efficiency and daily revenue goals can make all the difference to achieving this lucrativeness.

***** **Main point:** Operational efficiency and daily revenue goals can make all the difference to achieving this lucrativeness. *****

**** **How it works –start** ****

Our arborist in the previous chapter now wants to price tree fertilization by the gallon, and an insect preventive maintenance (IPM) program. He'd like to know how much revenue each scenario should bring in each day, as well as the respective unit prices to charge his clients.

1. How much should he bill per day and per gallon for tree fertilization?

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2. How much should he bill per day and charge for an “average” residential application for an insect preventive maintenance program (IPM)?

Additional scenario information:

- Crews will work and get paid for nine hours per day, 45 hours per week.
- The equipment cost per hour is as indicated on the figures.
- The overtime factor, risk factor, sales tax, etc. are as indicated on the figures.
- The owner desires to obtain a minimum of 25 percent net profit margin for this tree work.

****How it works –end****

PRICING TREE FERTILIZATION & INSECT CONTROL WORK

Fertilization tree work with a two man-crew

Figure 34.1 outlines this scenario. Note that each member of the crew works seven hours on site per day. Two hours per day are allotted to general condition drive time, load time, etc. The spray rig, which has a cost per hour of \$10, is running approximately six hours per day.

******* Figure 34.1 Tree Fertilization *******

To achieve the desired 25 percent net profit margin, this two-man crew has to bill over \$1,500 per day. This will cover all costs, both direct and indirect. The price per gallon calculates out to be \$1.03. However, our arborist friend knows he can charge a minimum of \$1.25 per gallon, and probably more.

Figure 34.2 illustrates the adjusted daily revenue if this crew can spray 1,500 gallons of fertilizer per day and charge \$1.25 per gallon. We know the daily revenue calculates to be 1,500 gallons x \$1.25 = \$1,875. We simply adjust our total price for the day by adding an extra \$329 in our model in the contingency factor in Section III D. This adjustment increases our gross profit margin to over 52 percent or \$986 per day. The net profit margin increases to almost 40 percent. Not bad for a day’s work!

******* Figure 34.2 Tree Fertilization with Increased Profit Margin*******

Insect preventive maintenance work with a one-man crew

Figure 34.3 outlines the IPM scenario. The technician works seven hours on site per day. Two hours per day are allotted to general condition drive time, load time, etc. The spray rig, which has a cost per hour of \$10, is running approximately six hours per day.

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******* Figure 34.3 Tree Insect Preventative Maintenance *******

Rather than using gallons as the unit of measure, the arborist desires to calculate an average price per application based on 10 of these “typical” applications per day. He’ll then charge clients this average price, which will also be his minimum price, if their property falls close to this average. For larger properties, he’ll charge more.

To achieve the desired 25 percent net profit margin, the technician has to bill almost \$700 per day. This will cover all costs, both direct and indirect. The price application calculates out to be \$68 per application. The arborist knows he can charge a minimum of \$100 per application, and maybe as much as \$125.

Figure 34.4 illustrates the adjusted daily revenue if this technician can spray a minimum of 10 properties, at a minimum price of \$100 per application. We know the daily revenue calculates to be 10 applications x \$100 = \$1,000. Once again, we adjust our total price for the day by adding an extra \$321 in our model in the contingency factor in Section III D. This adjustment increases our gross profit margin to over 62 percent or \$626 per day. The net profit margin increases to a little over 49 percent. Again, not bad for a day’s work!

******* Figure 34.4 Tree Insect Preventative Maintenance with Increased Profit Margin*******

SUMMARY

This arborist now has the information he needs to price his tree fertilization and insect preventive maintenance work. He always knew this type of work was very profitable, but now he knows exactly what his actual costs are. Just as important, he also knows the pricing per gallon and per application his market will bear. Armed with this information, he adjusts his daily revenue goals accordingly.

Whenever you combine labor with expensive materials, large (or lots of) equipment, specialty services or products, new services or products or chemicals and fertilizers, you should think “market opportunity.” Net and gross profit margins on this type of work are extremely high.

ACTION POINT

If you perform these types of services, evaluate and calculate your net profit and gross profit margins. Also, validate your unit prices and ensure that you set hourly and daily revenue goals for your crews.

Note:

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The costs used in our scenarios are for illustration purposes only. Your costs will vary from the ones used in these examples. The key is for you to build a typical one-day scenario for the different crew, materials and equipment you use. Round up these rates as appropriate. If your costing structure is accurate, the rates you calculate should be very close to your current ones and to those generally seen in your market.

This article was adapted from James Huston's new book and audio book, *How to Price Landscape & Irrigation Projects* and his previous book, *Estimating for Landscape & Irrigation Contractors*. The author is president of J.R. Huston Enterprises, Inc., which specializes in construction and services management consulting to the Green Industry. Mr. Huston is a member of the American Society of Professional Estimators and he is one of only two Certified Professional Landscape Estimators in the world. For further information on the products and services offered by J.R. Huston Enterprises, call 1-800-451-5588, e-mail JRHEI at jrhei@jrhuston.biz or visit the J.R. Huston Enterprise web site at <http://www.jrhuston.biz>.