

BIDDING TO WIN IN A SOFT ECONOMY

Recession thinking increases the demand for holding or reducing the cost of maintaining property. To win and retain projects, look for your 'competitive advantage,' and modify your service strategy.

by Phil Christian

Competitive bidding should be a part of your overall marketing strategy. But it must be managed differently in a downturned economy to maintain profits.

The real estate industry has been going through an economic adjustment, and the current economy-wide recession has compounded its problems. So landscape service contractors serving the real estate industry need to reevaluate bidding and marketing strategies to fit the needs of the "new" real estate industry.

In a growing economy, where there is enough work for everyone, we develop bidding habits that soon become rote. These practices may not serve us well in a slow- or no-growth economy.

Buyers looking at price

Some modern economists tell us that recession begins with a change in the buyer's state of mind. This state of mind has real consequences. Sales drop, people lose their jobs, competition becomes more intensive, and the professional buyer becomes even more "price sensitive."

Fortunately, this price pressure is accompanied by other more positive symptoms of recession thinking, the most important of which is the tendency for property managers to be more open-minded or less resistant to change.

The complaint heard most in times of recession is from green industry contractors who say, "This year all our projects are being rebid, even the negotiated jobs with our oldest and best customers."

If the contractors are correct—and they usually are—most of the work in your area will be bid or rebid in this coming year. How does that new reality of recessionary times affect your company?

Make a trade-off

An average-sized full-service contractor bills \$500,000 a year from 24 projects. This contractor should

renew, without bidding, at least 33 percent of his jobs, or about eight projects. If this average contractor is in a \$5 million dollar market, he has a market share of about 10 percent. That means they must protect eight of their own jobs. But there are 80 new jobs belonging to their competitors that are available to bid. Not a bad trade-off in terms of competitive position.

Saving the project

Before getting involved in bid strategy for new work, let's review a plan to save those jobs that are now at risk because of recession thinking.

It is best to offer your customer a plan before you are notified of a

rebid situation. Keep in mind that the drive for a better price is accompanied by an open mind, or less regard for the status quo. This is your opportunity to offer a proposal to cut the cost of maintaining this property while protecting your own profit and the quality of the landscape.

This is a good time for creative change in landscape management. One effective method of approaching customers is to make an appointment, express your understanding of their situation, and offer your solution. For example, you could say to your customers: "We heard about your recession, and we have developed a plan to reduce your total cost for maintaining this project."

Cutting to win

● In the past you may have offered four and five rounds of lawn service over 100 percent of the turf area. Modify that program. Apply five rounds to the most visible portion of the landscape, four rounds in front of the units, and three rounds between the back door and the creek.

● Offer flexible mowing programs or frequencies that vary with the use and location of the turf area. That open field behind the units designed for future expansion may be reduced from 30 to six mowings per season.

● Reduce the weed control in the low-visibility and reduced-maintenance areas. Eliminate or cut down the applications of nitrogen in the early spring rounds, and match the fertility programs to meet the turf's function.

● Stop hand-watering and over-watering with irrigation systems. Cut the water bill and the labor/maintenance cost.

● Reduce or stop blanket appli-

cations of post-emergent herbicides.

● Stop shearing the shrubs. Prune them correctly, twice each year.

● Omit spring fertilization of trees and shrubs, and skip or reduce the fall fertilization to every other year.

● Get rid of those thick, sculptured, over-mulched beds. Mulch twice a year, only three inches thick, in a flat, natural contoured shape.

● Stop pulling weeds by hand. Use pre-emergents and increase the application frequency of contact herbicides.

● Reduce trimming with a nylon cord trimmer by establishing no-grow areas around the buildings. Reshape the mulch beds to eliminate small trim areas.

● Do not replace 100 percent of the plant material lost last winter.

● Cut your crews of four and five people down to two and three people, and operate more efficiently.

Choose the right projects

No matter how much work is available, you can only bid a limited number of projects in a given time frame. You need a selection criteria or procedure, especially if you intend to get the "plum" jobs.

The "plum" jobs are those that fit your company's experience, in terms of size, quality, location, timing and competitive advantage.

A good information system is essential to a good selection process. You know your market well enough to identify the projects you should pursue in terms of size, quality location and timing.

To exercise your competitive advantage, look for projects that have been maintained by the same contractor for two or more seasons and are over-maintained.

Look for the projects that are maintained incorrectly: where a 21-inch push mower is used on the large turf area in front of the building, or where a crew of six is hacking away with nylon cord trimmers.

Look for the large properties that have been maintained as though they were small properties. Seek out the very large properties that would be

more effectively maintained with two full time people on-site, rather than a big, expensive mobile crew.

Bidding to get the work

The landscape industry's bidding process—as we know it—is generally an informal one, with few hard-and-fast rules. The buyer views the process as one of choice, where the contractors who want to do business with his company compete informally based on price.

In the present tight real estate economy, you should bid each project to get it! Casual bidders, who bid on everything and hope to get lucky, soon earn a reputation, and are not taken seriously, even when they are low.

If you do not have a good chance of being the low bidder on the base bid or the bid documents supplied by the buyer, you should then bid an alternate program, incorporating the changes you recommend for maintaining the property. In other words, if you cannot be among the low bidders, the least you can do is disrupt the process so no one knows who the low bidder is without talking with you. When you are successful in

landing a job based on an alternate bid, the ones who lost will complain about the "apples to apples" comparisons. You are free to tell them that all bidders have the same opportunity—and, perhaps, obligation—to be creative when it is in the best interest of the customer.

Cut profits last

Do not automatically reduce your profit to negotiate or bid a lower price for commercial customers. All costs should be trimmed first. If your adjusted profit is higher than 25 percent of the total cost, including overhead, then some reduction could be in order. Otherwise, hold the profit and recommend changes to reduce all other cost. Remember, this is their recession, their property and their choice to reduce the cost. You have the responsibility to respond to their needs. But you are not obliged to fill their needs at the expense of your profits. **LM**

Phil Christian of Alpharetta, Ga., is a green industry consultant with pdc consultants.

New

PORTABLE IRRIGATION SYSTEM

At Last A Solution for Watering Trees!

The **TREEGATOR** is a portable, reusable, above ground irrigation system. It provides a careful controlled drip rate for consistent watering of trees for up to 32 hours. *Designed to be used on the root ball of a planted tree, or a balled & burlapped tree for maintenance until planting.* Works well for softening hard soils overnight making summer tree digging easy. Effortlessly zips around the tree trunk and can be filled with water and liquid fertilizers in less than 10 minutes.

- Save on water—
- Eliminate trenching
- Comes in two sizes (25 gal. and 50 gal.)
- Constructed of reinforced, UV coated polyethylene.
- Heavy duty nylon zippers.
- Zip in multiple configurations for big jobs.
- Folds down flat for compact, easy storage.

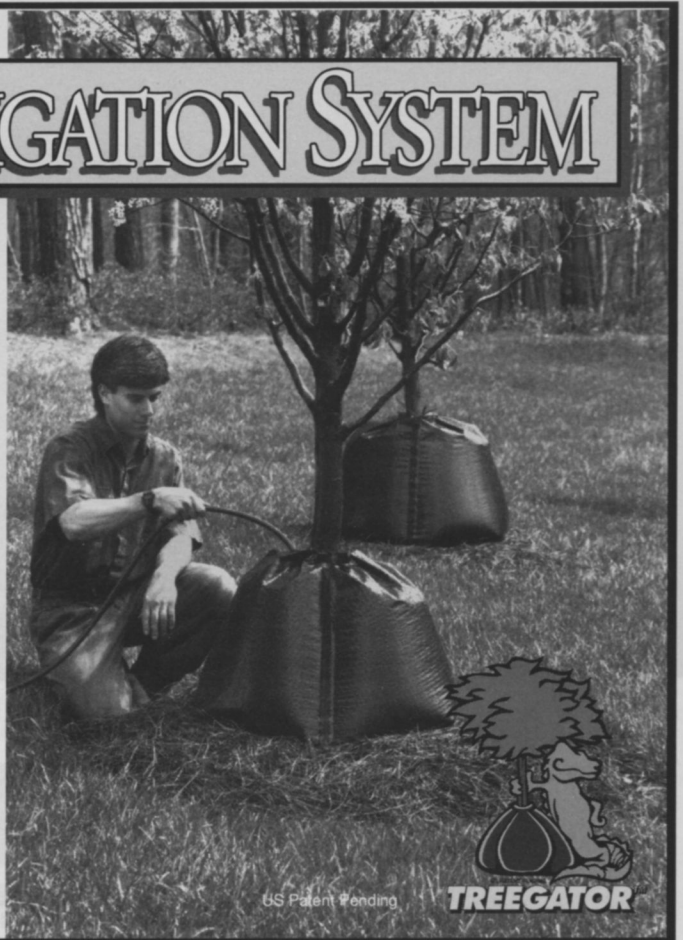
Save Time, Save Money, Save Water.
Solve Your Tree Watering Needs —

SPECTRUM PRODUCTS

3425 Hipsley Mill Road • Woodbine, Maryland 21797

FAX Us Your Order: 301-442-1223

For More Information Call: 1-800-800-7391



Circle No. 121 on Reader Inquiry Card