

Fight low bids with value, reputation

You will likely always have to deal with competitors who undercut on bids. You can fight back—and gain clients—if you stress the value of the work you do and if you know the economics of the green industry.

by JOHN CALSIN, JR.

Pricing is as bad now as I've ever seen it," says a successful landscape contractor of long standing and excellent reputation in the Philadelphia region. "I have gotten discouraged," he continued, "about writing articles about this particular subject because the people who should read them don't; or, they're not interested."

He sounded despondent, almost melancholy as he finished by saying,

"It's a dilemma that's been with us for a long time, as long as there have been contractors, and it's going to be with us forever."

Is there a pricing dilemma in the green industry, in which people hungry to make any kind of money are hurting the image and pricing structure of the true professionals?

Or is it just the American Way: to offer a lower priced bid in the hopes of getting the job? The answers may surprise you.

Overhead a reason?

David Minor is president of Minor's Landscape Services, Fort Worth, Texas. He is also completing his term as 1995-96 president of the Associated Landscape Contrac-



Minor: Consider free enterprise system.

tors of America.

When asked if there is a low pricing problem, he answered, that "it all depends on the perspective you're coming from. If you're the low-priced operator, it's not a problem. If you're the high-priced operator, it is.

"I hate that word," says Minor, when asked about 'lowballing.' "I really don't know what that word means, to tell you the truth."

To some extent, Minor believes that low pricing is a function of the difference in overhead between companies.

"I've run up against people who have put prices on the street that are a lot lower than mine, that are satisfying the customer quite nicely," says Minor. "It's frustrating for me because maybe their overhead is a little lower, or maybe they're working out of their garage. Maybe they do the work themselves, and they've bought themselves the job, but that's the American, free enterprise system.

"I have a different outlook than my peers on this," says Minor, who employs about 175 people. "I think there is a little too much feeling sorry for one's self about not being able to price competitively."

Minor agrees that some service providers who put lower

than average prices on the street.

"They don't have insurance and don't have the technical qualifications like we do, but the bottom line is the customer is buying that service. There are a lot of customers out there where that stuff isn't important to them. This depends on the marketplace."

The meaning of value

Joel Lerner does not believe there is a low pricing dilemma in the green industry. A leading landscape industry consultant, Lerner believes the customer just needs to be educated to the value of the work he or she will be paying for. The first step, says Lerner, is to be able to justify your fees to yourself, before you talk to the customer.



Lerner: notoriety brings leverage to price higher.

Can the contractor answer this question: What gives value to what a landscape contractor does?

Lerner believes that part of the answer to this is in customer variables such as curb appeal, increasing property values, increasing your own stock among your neighbors, or increasing a home's resale value. He sees landscaping as the only home improvement that increases as it matures.

Make the clients want you

Lerner does not compete with lowballers. He says a client has to want him. "So I make them want me. If they want a lowballer, that's great. I'll be here next year. I just can't compete with someone who is a lowballer. I feel for a guy who has a lawn mower and a pickup truck.

Low pricing with profit motive

Frank Ross of Ross-Payne & Associates, Chicago, Ill., believes there are times when pricing a job at a loss can be part of a company's profit motive.

Ross does not believe every company that prices low is trying to buy work for cash flow purposes.

"Why price below break even? I can think of several reasons," says Ross. Those reasons include:

—Marketing strategy: price the base bid

thinly, then make it up on either changes to contract or extras;

—"Loss leader" the first phase of a project because you know that once on the job you can negotiate the next phase or phases;

—Possibly, when attempting to open up a new market or expand an existing one, to penetrate a geographical area where another landscape contractor has been serving clients for many years.

Ross believes these are some of the solid, profit-minded reasons why a knowledgeable contractor, who knows how to bid correctly, "would very easily and energetically bid a job at a loss.

"The very good contractors out there, that's what they do. I would never price a job at or below my break even, even if I didn't have a profit motive associated with it." □

J.C.

He's got to eat."

"I'm not a run-of-the-mill landscaper," explains Lerner. I've got a lot of notoriety in the Washington, D.C. area," says Lerner, who writes a garden column for the *Washington Post*, and hosts "The Garden Show" on WWRC-AM.

Trends and 'talking points'

Lerner sees niche marketing as an important slice of the pricing pie. He believes reputation is very much a starting place for being able to charge higher prices.

"You have to create a reputation for yourself and a hook for yourself," says Lerner. With notoriety, Lerner explains, comes the leverage to price higher. Part of the way he achieves this is through what he calls "talking points."

A talking point helps one associate the name of a company with its specialty. He mentions a friend's company, called Wildlife Habitat.

"If people want to know how to create wildlife habitats, which is a tremendously hot trend today," says Lerner, "they're going to call Wildlife Habitat."

If possible, Lerner suggests using trends to make yourself into a very much in demand organization rather than worry about lowballers.

Landscape Econ. 101

What must someone who may be new to the green industry consider important?

"They'll need a course in economics," says Lerner. A beginner needs to be in touch with the profit-loss statement and

when to look at those numbers.

"It is important to figure out the real cost of operating your business. Then, figure out what you've got to make beyond that. In all fairness, there is some trial and error (concerning how much to charge) when you're new."

Fair and careful pricing

Ed Laflamme began his landscaping ca-

reer as a moonlighting grass cutter.

Today, he leads Laflamme Services, Inc., Bridgeport, Ct. In landscaping for 25 years, Laflamme employs more than 100 full-time employees. He believes price slashing will likely remain an industry problem.

"It's a relatively easy business to start.

Everybody and his uncle who is out of

cont. on page 12L

EVERY TRAILER HAS TWO PRICES!

That's a "New" price and a "Used" price. Do your shopping based on the second price — the USED price. That's where you can judge the real value of a NEW trailer.

A used Wells Cargo trailer will always have a higher resale value than any other comparable trailer. The tough part is trying to find a used Wells Cargo. People don't wear them out. Sometimes they outgrow them... then you might find one. Check with your Wells Cargo dealer.

Ask about the Wells Cargo Financing Program. The easiest way to get the trailer you want right now!

CALL (800) 348-7553
For NEW Literature & Prices
Check us out on the Web: WWW.WELLS-CARGO.COM

Circle 140



Ed Laflamme, at right, prices services with an eye toward value for clients who know how to crunch the numbers.

cont. from page 9L

work can cut grass," says Laflamme. "There's not much overhead to start. So they arrange their pricing structure with the overhead they have at the time."

Laflamme's customer base is about 90 percent commercial, and he approaches his pricing fairly and cautiously.

"I don't want to be known as the high price provider. In my market, that's suicide," says Laflamme. "I'm in an area of astute businessmen, Fortune 500 companies. Those people want value for their money. They don't necessarily want a cheap price, but they don't want to pay a lot of money either. Their whole deal is value. Am I getting value for my money?"

A key is sound financial management, says Laflamme, which is where someone such as Frank Ross comes in.

Ross, president of Chicago-based Ross Payne & Associates, has been a consultant to the construction and green industries for 30 years, and is author of "Pricing" and "Financing Your Business."

"The contracting movers and shakers in

1975—the leaders 20 years ago—aren't around today," says Ross. "That's because they simply did not pay attention to the financial side of the business. They just thought that was going to take care of itself. Obviously, it didn't."

Ross has strong opinions on the importance of financials to a green industry professional, and says neglect in pricing has had a ripple effect.

"If the industry had learned as much about finance and financial management—especially in the area of estimating—as it has learned about horticulture, equipment

The contractor has to be able to explain the value of a landscape.

and people management, this would be, absolutely, bar none, the most wealthy industry going. But what we forgot was the financial side of things." □

—John Calsin, Jr., of Lighthouse Writing Services, is based in West Chester, Pa.

Keep on doing what you do best

Larry Iorri, president, Down to Earth, Wilmington, Del.

▶ "Good lawn care companies and landscapers should look at the fly-by-nighters from a different perspective. You make a bid, and a fly-by-nighter comes in 20 percent lower than you and you lose the job. I believe you've got to learn to sell yourself.

"I give out a four-page portfolio that includes commercial and residential references, my pesticide license number and insurance contacts to every prospective customer. Then I give them a bid. If they don't want you at that point, you probably don't want their business, anyway."

Ron Kujawa, president, KEI Enterprises, Kudahy, Wis.

▶ "Pricing is a big problem. Until we get people more in tune with following good business practices, we're not going to be an industry that attracts many venture capitalists.

"How can we address these [pricing and competition] concerns and maintain a good level of service at fair prices, not just come in and cut and slash prices?" Kujawa says.

Jim Huston, industry consultant, Englewood, Colo.

▶ "You're always going to have lowballers. Lowballers are 'grinding' people. I advise my clients to go after good customers, recognize a quality standard, and market aggressively.

"There's a psychology of going broke that works in the lowballer. When you're in a financially distressed situation, you don't analyze a bid correctly, you don't analyze labor, other costs, add overhead, add net profit. We say, 'this job is going to bring us free and clear of all our costs.'

"When you get someone going broke, they say, here's a \$100,000 job they want done for \$60,000. The fact that they're going to lose money on it is not a problem. All they think is, 'Here's \$60,000 I can throw at old bills.'

"The fact is he will lose money and dig himself a bigger hole."



Ross: industry missed out on service dollars.