


Don't let lowballers



Lowballer — it's not a four-letter word but many lawn care and landscape company owners think it should be. It's a word that many of us like to toss around, maybe too loosely. Some of us, in fact, use it whenever we lose business to anybody that undercuts our prices.

Is it justified? In many cases, an emphatic "yes."

Every industry — particularly an industry with low barriers to entry like landscaping — has its share of unethical operators. We're not unique. Even so, all of us have, at times, lost jobs to competitors offering lower prices because of operating efficiencies.

They just don't know

Mostly though, the competitor that always comes in with unrealistically low prices is uninformed; they're not knowledgeable about business and their local marketplace. Few succeed in the long run (not unless they wise up, anyway), but the real damage they do is to the marketplace by giving clients and potential clients a false read on professional landscape and lawn care's value.

Rod Bailey, a consultant at Alder Springs Enterprises in Woodinville, WA, says that lowballers are a fact of life even when the economy booms. Learn to deal with them, he says.

BITE

into your profits

A guide to keep you from playing the "we'll beat any price" game in your marketplace

BY STEVE GREENWALD

Know thy customers

"Choose your customers wisely," adds Steven Glover, consultant, Symbiot Business Group, Sandy, UT. "Don't go with customers that are likely to drop you for price alone."

Scott Brickman, president of The Brickman Group, Langhorne, PA, agrees. "It's the lowballers themselves who often complain the most about lowballers," he says. "The quality-oriented companies don't complain about them as much. Go after markets that appreciate quality work."

Bailey advises that landscape and lawn companies promote their reputation and stability. "The lowball customer isn't where you should be selling," he says. "You can't afford to drop pricing; the quality of your services is what you're selling. Every time my wife hears me complain about

them, she says, 'Well, I guess they know what their work is worth.' It's a good thought to pass along to customers tempted to the lowball side."

Management at Kujawa Enterprises, Inc. (KEI), Cudahy, WI, pays little attention to lowballing. "We don't cater to that market," says Chris Kujawa, executive vice president. "Our clients won't put up with them. If the grounds look bad, it's the client's facilities manager who looks bad, not us. So our clients pay us not just to do the work but to manage the site, which is the image of their company."

Rick Doesburg, owner of Thornton Landscape, Inc., Maineville, OH, concurs. His business is 100% design/build, which lowballers, too, but not as many. "I don't sell plants. I sell creativity and results," Doesburg says. "And you need

experience to sell those, which eliminates lowballers."

Lowballers can't get work on any other basis but price, Kujawa points out, and they won't last because they'll run out of money if problems arise.

And they always do. He says if a contractor is already separated from competitors on a price level, he must separate himself on a professional level as well.

The low-price game

"Prices are beyond your control," he says. "What's not is how you deal with the rest. You can't eliminate the price difference, but you can mitigate it by educating your client on your level of professionalism."



Steve Glover says to choose 'good' clients

Kujawa lists things his clients should know on a contractor checklist — items such as the competitor's number of certified professionals, licensed staff, association memberships and years in business.

He lets clients know about things like KEI's specialty crews, the photo IDs used by the staff, clean trucks, and "everything that makes us stand out," says Kujawa. "Point out the quality of your people, their level of training, longevity and trustworthiness."

Other considerations, says Kujawa, include the worth of KEI's monitoring the site. "We are paid not just to do the mowing and pruning but also to manage the site," he says. "All of these are cost items that

have to be passed along to the customer and recouped through our price."

It's also important to explain the simple mechanics of insurance, he says. "If you have liability insurance, the client's insurance burden becomes lower, so he must either pay your fees or the insurer's fees."

Glover adds that landscape and lawn professionals can point out to customers other things to look for when selecting a contractor:

- ▶ Are workers legal residents?
- ▶ Do they have worker's comp?
- ▶ Are they licensed to spray?

Combating inexperienced lowballers can mean reporting those who are spraying illegally, he says. "Perhaps it's petty, but you have to keep the industry image up and level the playing field." He suggests a visit to Symbiot's Web site, www.symbiot.biz or www.symbioticsolutions.com, to learn more.

"You never run down the other guy, but you do build yourself up," says Kujawa. He shares the numbers behind his estimates with clients, telling how many hours it should take and at what labor costs.

Brickman agrees. "You can actually show customers what



Chris Kujawa markets to his firm's strengths

your costs are and then work with them so that they bid to the right specifications. And then if another bidder comes in with a lower bid, you can explain how he must be underestimating either the number of labor

hours to do the work or the amount the labor should cost."

Relationships work

Building a relationship with your customer base through education benefits both parties and makes the profession stronger. One well-known advocate for relationship building is Rick Doesburg. "Relationship building is unequivocally the most important thing you can do," he says.

Build your circle

Doesburg suggests joining not only professional landscape and lawn associations but also groups your clients belong to such as builders and facility managers. Be active, and support them with time and money. "It starts out for business purposes, then it becomes fun, and finally it becomes a professional responsibility."

Building these relationships, Doesburg says, means your clients know you understand their business and can explain how your services can help them meet their goals. "I can tell them what actual results my work will have," he says.

Know when to go low

The decision to lowball should be a deliberate one. If you want to lowball, says Bailey, budget for it, and treat that job as a loss leader. Don't give it away, he suggests, but price it down to the lowest margin possible.

Doesburg warns that landscape contractors, especially those in design/build, should "decide up front how important the account is. If it can put you on the map, take it out of the marketing budget," he suggests.

Kujawa adds a few other strategies that bring lowball strategies back into a more businesslike mode. If you pick up a job where a client is consolidating properties, he suggests bidding low to pick up the larger volume. He would call that a volume discount.

Or, if you're faced with a client with a budget limitation, Kujawa advises, reduce your program to meet his budget. "That's negotiating — that's salesmanship," he says. "Just lowering your price to get the job isn't. If you back off to meet a price, you look like a fool for offering the higher price in the first place. You have to stick to your guns. You have to use salesmanship."

Relationships, he says, make it easier to be honest and communicate effectively.

If you're going to educate customers about how prices are derived in order to hold lowballers at bay, you must first know what your costs are. According to Glover, you must be able to keep up a high level of service at your given price or you'll lose any credibility you've gained. On the other hand, he notes, you have to stay competitive and minimize any discrepancies between you and the lowballer.

Doesburg concurs. "You have to know your costs and times for labor and material, to track your expenses very thoroughly and carefully." He suggests learning these skills from professional associations such as ALCA.

Plus, it's vital to compete fairly. "If a lowballer is going after you, you have to be sure to compete on an apples-to-apples basis," says Doesburg. "Have consistent criteria across the board and a consistent budget." That way, you can tell the client what you can do for "x" amount of dollars to meet the client's specific needs.

Oddly, knowing your numbers may keep you from being a lowballer yourself. "Many lowballers aren't really lowballers," says Bailey. "They're the guys who don't know the true value of what they're doing. They may not even know they're lowballers."

Frank Ross, a consultant at Ross-Payne & Associates, Inc., Barrington, IL, agrees. "I think a big percentage of contractors

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are guilty of this. They don't lowball intentionally, they just don't understand the financial and management issues involved. However, with good financial management, they can make a fair return on the job."

"If people complain about you being a lowballer," adds Brickman, "it may be that you're just efficient. If you know your true costs and have good estimating and tracking systems, you can price lower." He says it's vital to actually measure the site and have exact counts for things like mowing

times and costs, the number of trees and linear footage of bed edges so you can compute costs.

When it can work
Ross says there may be times when underpricing a job is valid.

"You have to know when to go after a job aggressively and when to stay away," he says. "If you price at a loss to maintain a cash flow or from worry about your competition, that's wrong. You should



Scott Brickman: not all low prices are lowballs

only go below the break-even point when you're building something other than the job itself. You should always have a profit motive in there."

Says Glover, "Times are few and far between where lowballing makes

sense — when you want to expand in a market where you already work — to build route density, for instance, if you can do so inexpensively. Or to get exposure with a 'name' client.

Or to build a relationship with a customer with a large portfolio when you can make up the costs in volume. But be clear as to why you're doing it and how long you'll do it."

Bailey adds that one legitimate time to lowball is for an extended term contract. You can bring your overall costs down by factoring the marketing costs, which should be from 2.5% to 6.5% of the bid, out of future work. "But it's a short-term tactic," he says. **LW**

The author is a freelance writer who lives in Cleveland, OH



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