

# SNOW+ICE

## GUIDE

### Charge your *worth*

When it comes to snow and ice services, don't underestimate your value to your customers.

BY WAYNE VOLZ

**I**N OUR INDUSTRY, how to best price snow and ice removal services is always a very interesting — and occasionally controversial — topic of discussion. Do you really know why you charge what you charge? How are you determining what to charge? Are you setting your service fees, or are you letting other factors determine your pricing?

Too many times, we don't know what we don't know. For nearly nine

years, I had no idea why I charged what I charged other than that's what I thought the market would bear, and that's what my competition was charging. That pricing methodology had me \$90,000 in debt and nearly put me right out of business. As a matter of fact, I thought the only problem I had was that I needed more work.

I had two phrases in my mind controlling the pricing of my jobs. These same two phrases must be removed from your vocabulary as a snow and ice management professional:

1. They won't do it.
2. They won't pay it.

That mindset limits the success and profitability of many snow and ice management contractors in the same way it controlled me.

*continued on page 35*

**Profitability is a result of a business owner implementing a sound business plan.**







Implement a cost recovery system based on overhead, expenses and use rates.

## DON'T FOLLOW THE HERD

Here are some of the most common (and harmful) ways contractors price their jobs.

- » I am small; I can do it cheaper than anyone.
- » I was making \$12 an hour at my "real" job, so this is pretty close.
- » The competition is charging this much.
- » Our market would never pay more than this.
- » I ask the client, "What will it take to get your business?"
- » I throw a dart each day and change pricing based on how badly I need the job.
- » I keep going until they flinch.
- » I use the industry standard; it must be right.

*continued from page 33*

### Do what's right for your business

Have you ever reconsidered your service fees solely on the basis that you thought it was too much? If so, ask yourself this question: Compared to what? Are you limiting your company's success because you think it is too much to ask for?

The current economic condition may lure you into thinking, "Why consider change now?" In a down economy, it would be very easy to say you are just going to leave things alone and not make any changes until things turn around. However, changing now may be the best choice for your company. Yes, you may be experiencing some tough times, but what are the consequences of not changing?

Efficiency and profitability are the direct results of a business owner understanding and implementing a sound business plan, including the

principles and techniques necessary to help become more successful and profitable. Training, education and business knowledge will set you apart from your competition.

I am confident the most significant factor limiting a contractor's profitability is a lack of understanding and implementing an accurate cost recovery system for his or her company. Many times, we blame our lack of profitability on our individual markets, competition and labor force. Are you seeing the forest and not the trees in your company?

As Albert Einstein said, "the definition of insanity is doing the same thing over and over and expecting a different result." I challenge you in 2009 and beyond to take a close look at your own company and see what you can do differently and better than your competition to operate more efficiently and profitably.

The first step is to implement a cost recovery system for your company. I guarantee you that McDonald's knows



exactly what it cost to build a Big Mac. Do you know what it costs you per hour of operation for your truck, spreader, plow, pusher, labor, etc. to clear a lot, subdivision, driveway or shopping center? If not, I strongly recommend you implement a cost recovery system based on your company's overhead, expenses and use rates.

Too many contractors are looking in the wrong places for the right answers to price their jobs. The reality is that everyone's costs per hour of operation are different. Chat rooms and chat boards are great for some information — but in my opinion, the dollar-a-minute theory and the many other similar pricing strategies are often off-target. Pricing is not a one-size-fits-all proposition.

Here's why you must know what your actual costs per hour of operation are for your company (compare these to the box on page 35, "Don't follow the herd"):

**1 Smaller cannot always do it cheaper.** The more you use a piece of equipment, the less expensive your direct costs per hour of operation become.

**2 The paycheck mentality will hold you back.** Guessing at your hourly rate based on what you were making at your prior job doesn't work.

**3 Ignore the competition.** If you could count on your competition to price your jobs, the failure rate for the industry would not be so high.

**4 Listen to the market.** Before you say your market will never pay "it," have you determined what "it" is for your business?

**5 Don't tip your hand.** When you ask your potential client what it will take to get the job, you are basically telling them you are hungry and you will meet or beat anyone's price. Even though we all need the work, the last thing we want to do is to give our potential customers the upper hand. They will beat you down on pricing for sure at that point.

**6 Don't change your pricing on a daily basis.** When you know what your actual costs are, it is easier to sell it at a fixed price.

**7 Don't count on the flinch method.** I had a contractor tell me one time he used the "flinch method": He kept going until they flinched. It may or may not work, but I am not sure I want to count on this method for my business.

**8 Don't rely on the industry standard, either.** Again, if the industry standard was right for everyone, the failure rates would not be so high. Based on the contractors I talk to across the United States and Canada, too many are not using a cost recovery program for their business. Thus, the industry standard is probably not accurate.

professional snow and ice management contractor is a necessity, not an option, for many of your clients. Although they can put off mowing, landscaping, mulching and other similar summer services, they must be prepared for the reality of winter. That's where you as a snow and ice management contractor fulfill their needs.

The opportunity snow and ice management offers you compared to your other services is that you do not need to schedule five or more days of work. Snow and ice management is a very time-sensitive service, and you only need to schedule hours of work per piece of equipment, not days. Simply translated, you can be more selective on the types of accounts you want to attract.

The bottom line is simple: You offer a very time-sensitive service that allows



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The only number that I am concerned with at my business is my hourly rate. By knowing my costs, I can use my time and effort attracting the type of clientele that I know can afford my service. I don't necessarily want to be the cheapest price; I want to be their best option.

### Look beyond the economy

Although the uncertainty of today's global financial situation has many contractors worried, the reality is that there is plenty of work available. Hiring a

you the opportunity to charge based on the value of those services, not the actual costs to provide them. Servicing fewer accounts with a faster response time, at a slightly higher price, is not only good for you, but great for your customer. It is truly a win-win situation for everyone. LMI

**AUTHOR** is Louisville, KY-based owner of both Wayne's Lawn Service and of Profits Unlimited, a Green Industry business consulting firm. Contact him at 800/845-0499 or wayne@profitsareus.com.