

By Marisa Palmieri / Editor

# Consumers remain cautious

*Many Green Industry businesses have adapted the way they sell and price residential services.*



**W**hen it comes to their residential clients, landscape contractors and lawn care companies say the hesitation and price consciousness prevalent during the last few postrecession years still exists.

What it comes down to, says Rob Reindl, is people are still choosing to spend less on lawn care and landscaping than they did prior to the Great Recession. "Until they choose to spend more again, you just have to convince them to spend their discretionary dollars with you," says the owner of Oasis Turf & Tree, a \$2.4 million firm in Loveland, Ohio.

Burt DeMarche, president of The LaurelRock Co. in Wilton, Conn., agrees. "It's not like 2007 when people were saying, 'Just give me the price, I want to get it done,'" he says. "Now everyone's negotiating. Consumers' attitudes have changed: They want the same for less."

LaurelRock is located about 90 minutes from New York City. Many of its clients work on Wall Street or for investment banking firms, so their incomes are tied closely to the stock market, and much of their disposable income is tied to their bonus checks, which come in March. Many bonus-driven, six-figure jobs went away from 2009 through 2011. Thankfully, DeMarche says, some of that came back this year, but it's been no small feat. Since 2009, LaurelRock boosted its annual

marketing budget from \$20,000 to \$100,000. It has paid off. Through August, the company is up 80 percent from the same period in 2009. It's on track to gross just over \$5 million in 2012.

Although Jeff Swano calls the market in Chicago's western suburbs "somewhat of a bubble," he says clients are still being cautious.

"Most of our customers are really taking their time making decisions," he says. "They want everything, but they can only afford so much, so they started downsizing the project or doing it in phases."

Swano's company, Dig Right in Landscaping in Brookfield, Ill., is on track to hit \$750,000 in revenue, which is an average year for his primarily design/build and maintenance business.

## Pricing problems

The fact that consumers are still watching their spending doesn't make raising prices easy.

"I feel like we should be up, but we haven't raised prices since 2008," DeMarche says. "It's hard to go to a longtime client and say, 'We're doing a price increase.' Their natural response will be, 'Are you kidding? In this economy?'" The reality is they don't want to have that conversation with you. So, we've just worked really hard to keep our expenses down and to gain efficiency and not lose quality."

Swano says he avoids discounting. "We

know what our margins need to be and we bill accordingly," he says. "Maybe that's affecting some clients' decisions because they find someone cheaper, but I know what I need to make and I'm here to make it."

When it comes to design/build pricing, smart contractors offer to scale back projects rather than reduce prices. "If we come in with a \$5,000 project and they only want to spend \$4,000, then we'll shrink it down or phase it in over this year and next year," Swano says.

John Newman, president of Classic Landscapes in Hampton, Ga., says the recession changed the way he sells design/build projects.

"Before, I didn't ask for a budget," he says. "Whatever it cost, that's what they'd pay. Now, with the economy being tight, I started asking for a budget and coming back with a proposal that meets it."

On the maintenance side, he says his closing ratio has taken a hit because he doesn't want to get into a bidding war. "Instead of doing something for almost no profit, we'd rather let them experience what they will with the half-price guy and then stand by and answer questions and be around for them when the phone call comes that says, 'Hey, these guys aren't doing XY and Z.'"

On the lawn care side of the business, Reindl says it doesn't make sense not to raise your prices every year. "Customers are not likely to complain about a \$1 or \$2 increase a year, but if you wait a few years and try for \$5, they are going to be shocked," he says. **LM**

## At a glance: RESIDENTIAL MARKET

# GOOD

Consumer optimism is rising slightly.

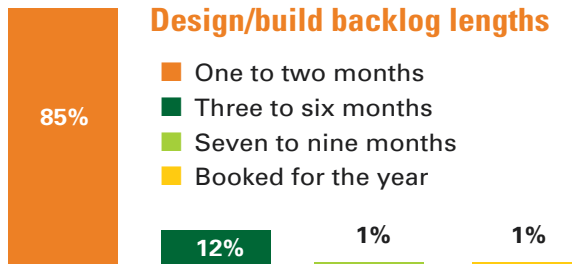
# BAD

Discretionary dollars are still tight for many homeowners, causing price shopping and negotiating.

# UGLY

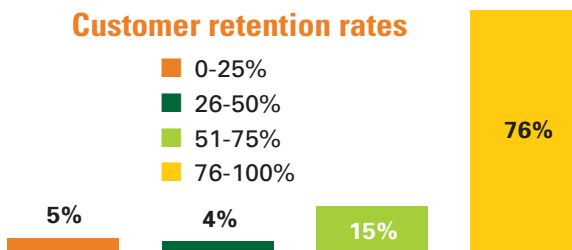
National unemployment only has dipped below 8 percent two times since January 2009 (April 2012 and May 2012).

## Design/build backlog lengths



Asked only of companies that do design/build. Numbers don't equal 100 due to rounding.

## Customer retention rates



Asked only of companies that provide recurring services.

## PULSE PROFILE



**Burt DeMarche**  
President  
The LaurelRock, Co.  
Wilton, Conn.

**2012 projected revenue:** \$5 million

**Service mix:** 50% maintenance; 50% design/build

**Challenge:** Spring cash flow

**What are you doing about it?** "For the last five years we spread out maintenance invoicing over 10 months. This year when we did renewals, we decided to make it a 12-month payment plan. I really expected push back from people who didn't want to pay us in months we weren't providing services, but people were happy it lowered their monthly payment. A few clients even prepaid their entire contracts."