



BEST PRACTICES

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Get a price bump

Commercial maintenance retention rates have declined for most companies over the past few years with many customers testing the waters in hopes of getting a lower price.

Contractors also have been more aggressive in going after each others' contracts, creating an environment that's been unsettling for most companies.

This situation has left many contractors conflicted about bringing up contract renewals, fearing it might trigger the client to put the work out to bid. Some contractors have been able to hold their own; a few companies are reporting that they are able to get some small price increases.

Price increases are always necessary to recapture increased costs of doing business. Contractors have been hesitant to ask for increases, hoping to find ways to cut costs instead. After years of cost cutting, there is no more. It's more important than ever to have good job costing with accurate costs to know what margin each job earns.

Should you increase high-margin jobs? Yes. But you should be willing to back off if you face resistance. Low-margin jobs should be increased as much as the client is willing to pay. Take into consideration the whole picture. Do you get much enhancement work? If so, it may be worth keeping a lower margin contract.

Each fall and early winter property managers prepare budgets for their properties. Get involved in your clients' budget processes. It's an ideal time to see what they're thinking for the upcoming budget year. Property managers realize contractors have not had increases—neither have they. This just might be the year when they become less resistant to price increases. After all, property managers need good service providers.

Call or visit your customer to discuss proposed price increases before putting them into writing. This is critical. If you just send a letter advising of the increase, as some companies do, your customer could put the job out to bid without even telling you.

The key to long-term success lies in demonstrating partnership value to the customer and building on a foundation of trust. These are six tried and true best practices that will build affinity and trust and pay off on the bottom line:

- 1 Stay close to your customer and do good work.** As the owner of the business you have the most leverage in securing the renewal and getting the increase. If you delegate, remember that employees may not have the same vested interest as you in getting the increase and may back down to get the renewal.
- 2 Understand and be sensitive to your customers' businesses.** If their businesses are hurting, you may have to forgo the increases. You can reduce services to retain the same margin, or sometimes it's best to delay the increase until better times. At least if you defer the increase, it's on the table for next year.
- 3 Make sure you're in a strong position at renewal time.** Be diligent in checking the client's property in the months prior to renewal. You can't afford to have a customer service glitch at renewal time.
- 4 Do some reconnaissance.** Try to determine if your client's other service providers have been able to renew and get increases and how much. If you see changes in other service providers, that should be a warning that it may not be business as usual.
- 5 Get involved in the customers' budget processes.** If you're close to your customers you should be able to find out when they budget for the coming year. Give them a budget number for your increase, as well as a budget for enhancements. They usually have budget guidelines and can tell you if they'll be asked to cut costs in tough times. You need to know this.
- 6 Build your case around specific data.** When asking for an increase, do not just ask for an inflationary increase. Be specific in citing which of your costs have increased. This year, most companies have had increases in liability, health and workers' compensation insurance. The customers see these increases, too, and will be able to identify with them.