



PROFITING FROM DESIGN

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The problem with negotiating

Q We work in a very competitive market and quite often our clients want to negotiate the price when we present the proposal. We don't want to artificially inflate the prices to give us some wiggle room, but we also don't want to lose money. What's the best way to handle this?

—Edward Thompson, Sunrise Landscape, Milton, Ontario

A The short answer is a quote from the movie "The Fugitive." It's a hostage situation and Tommy Lee Jones (as Deputy Marshal Samuel Gerard) simply says, "I don't negotiate." Now clearly I cannot say it as cool as he did, but the message is very clear.

As we all know, the reason some clients want to negotiate is to lower the price and get something for nothing. Let's be honest; most of us try to do the same thing with our own vendors.

Let's walk through the typical scenario. You present your proposal to the clients, including everything they requested at a number you feel is reasonable. They're happy you included everything on their wish list; unfortunately, they aren't as happy with the price. So what do they do? They ask if you can do it for less. You want the work, so your first reaction is to say "OK." It seems innocent enough. Well I can tell you it's not. The biggest problem with opening the door to negotiations is as soon as you do, everything from that moment on is going to be a negotiation.

What happens when you agree to negotiate? The first thing you do is lower the price so you can get the work. As soon as you agree to the new adjusted price, you get the follow up question, "That includes sales tax, right?" You agree to the price including sales tax because it's a decent job and it's only a few more bucks out of your pocket. If you're like most contractors you tell yourself you'll be able to make the money back on change orders.

However, before your clients sign the proposal they hit you up with a few "you know whats." "You know what, can we make it 20 flats of annuals

instead of 15 flats?" "You know what, can we use 2-gallon perennials instead of 1-gallon?" "You know what, can we just include those couple of step stones?" Each item isn't such a big deal by itself, but before you know it you've just given away some hefty profits and you haven't even started the job.

Once the job begins you're now entering phase two of the negotiating process. This is where it's open season on the "would you minds" and "while you're heres." You know exactly what I'm talking about. As you're doing the installation, the homeowner or property manager seems to always come outside asking you or your crew to do favors. The client knows you're a pushover so he's going to take advantage of you every step of the way. When you do try to submit change orders he either dismisses them as being invalid or negotiates them down to half of what you billed them for.

You know what else? It doesn't stop there. What do you think is going to happen when you finish the project and submit your final bill? You got it—negotiations. Does this sound familiar? "You guys did a great job and we want to cut you a check for the balance, but since we went over budget we need you to adjust that number down a bit. Also, we want you to extend the plant warranty to two years instead of one and include an IPM program for the first year until the plants had a full growing season."

At this point you'll agree to just about anything because you need the payment to make payroll and have a big stack of payables. Since all of the profit has been negotiated out of the project you tell yourself that you did a great job and that's payment enough. You're satisfied you have another customer who will recommend you for future work and you'll definitely make money on the next one.

What's the best way to deal with a client who wants to negotiate? Give them a fair price and do your best Tommy Lee Jones. Simply say, "I don't negotiate."

To submit a question for Profiting From Design, please contact Shilan at jshilan@gmail.com.