

# Price Pride

Despite pressure from customers looking for a deal and from competitors looking to score the lowest bid, not all landscape professionals slashed prices this year. In fact, they insist, 'We cannot work for free.'

By Nicole Wisniewski

Customers trying to be fiscally responsible are "jumping on the cheap bandwagon" in today's economy, going for 65 to 85 cents on the dollar pricing, says Mark Lay, president of Charlotte, N.C.'s AA Tex Lawn Co., and that's been the challenge: "Trying to offer our quality of work at a fair price," he says.

But, as the owner of the 50- to 65-employee company points out, "We cannot work for free. We've tried to make prices a little tighter, but we are watching the gross profit every week and job costing everything to make sure we're making our numbers. We haven't fallen into the low-balling game. There's a certain type of customer who will take the lowest bid, but I have found that the smartest person out there won't."

Ted Bentz, owner of \$485,000 Second Nature in Rapid City, S.D., agrees. "You have to be really careful of someone coming in and putting a number on a project that doesn't make sense," he stresses. "You just have to monitor costs for yourself and provide the best number so hopefully you are the one doing the project and still turning a profit."

"I guess there are people out there cut-throat pricing and giving

stuff away, and I just won't do that," adds Jeff Berghoff, president of Jeff Berghoff Design Group in Scottsdale, Ariz. "We're talented, and I still think people should pay for what we do. But it's a negotiation with clients today. We're breaking projects into bite-size, chewable, digestible pieces so we can compete more with people who are really giving stuff away."

People don't think twice about paying a premium for an electrician or plumber, so why should landscaping be any different, Bentz questions. "With landscaping, they always think, 'I could do that myself so why is it going to cost me that much?' So it seems like there's a lot of education we need to do with clients about what we do and how we do it. It all boils down to selling ourselves better industrywide. We need to be very professional dealing with new and existing clients to improve our overall

image. We have to portray ourselves as high-quality individuals."

That's this year's pricing game. Whether contractors raised prices, kept them stable or lowered them, they've had to keep sharp eyes on numbers and, then to stretch dollars further, focus on becoming more efficient internally to maximize profit.

Lay, for instance, looked at scheduling, routing, crew size and equipment, and then brainstormed ways to trim time and costs. "We redesigned our shop and how people come in, we try and be more prepared so we're here about 15 minutes earlier to get people out the door quicker," he says. "Internally we have tried to communicate better so we are able to handle complaints and issues while our crews are in the area rather than have them go back. We've



tried to up the communication of our management team and employed picture phones so issues can be e-mailed and we can look at them.”

The end result is that even though Lay predicts a dip in sales from between zero to 10 percent, his business is more profitable. From maintaining existing equipment and keeping an eye on how employees treat machines to eliminating office cleaning services and shopping out cell phones and insurance to get the best prices, Lay calls his business today “lean and mean.”

“It’s easy to talk about money when you’re making it, but to get in a situation where people are thinking about selling and keeping costs down and doing it less expensively – that has been valuable from a business owner’s standpoint,” he says. “This is a once in a lifetime opportunity to really hone in on that ‘where cheap is cool’ concept.”

“Before we were making money and spending money and it was all good,” Lay adds, “but this is better.” **soi**

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## An Alternate Approach to the Price Slice

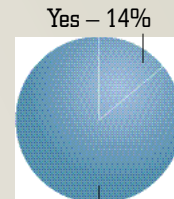
Pricing guru Mark Burton, coauthor of “Pricing with Confidence: 10 Ways to Stop Leaving Money on the Table,” has a lot of concerns about price slashing across the board in a recession. “You’re not running a charitable organization,” he says.

And such a move can come back to haunt you. Burton remembers companies cutting prices in the 1980s for those struggling during tough times, and when the economy turned around, customers refused to pay for price hikes. “If you think cutting prices earns you goodwill, you have to be careful about that,” he says. “Some customers have short memories.”

The best approach, he advises, is creating a new tier of products and services – one that offers customers less-expensive options with fewer bells and whistles. That way, a landscape business owner doesn’t cannibalize his or her existing offerings.

## Financing FACTS

Do you offer financing for your customers?



No – 86%

Average cost of project financed:

**\$7,533** (2009)

**\$12,940** (2008)

Average number of finance options offered:

**2.5**

Source: Lawn & Landscape

## FOUR YEARS OF PRICING



Service	2009 Price	2010 Price	% Change	2008 to 2009 Change	2007 to 2008 Change
Residential mowing	\$41.70 per hour	\$44.10 per hour	5.4%	-13%	12.2%
Commercial mowing	\$49.50 per hour	\$52.60 per hour	6.3%	-10%	14.3%
Residential chemical lawn care	\$18.90 per 1,000 square feet	\$20 per 1,000 square feet	5.8%	2%	10.8%
Commercial chemical lawn care	\$58.10 per 1,000 square feet	\$60 per 1,000 square feet	3.3%	-3%	12.2%
Residential design/build	\$5,563.50 (avg. project cost)	\$6,419.70 (avg. project cost)	15.4%	-5%	13.3%
Commercial design/build	\$9,918.40 (avg. project cost)	\$11,042.50 (avg. project cost)	11.3%	-8%	19%

Source: Lawn & Landscape