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Think about pricing competitively

If there is one thing that really bothers landscape management contractors, myself included, is to lose a job because their bids were way out of line — too high or too low. Failing to put a competitive price on your work is easy to do, and it's just as easy to

remedy the situation. Here are a few steps to make sure you're in the pricing ballpark:

- **Continually evaluate your pricing structure.** Things change, including your labor rate, cost of materials, fuel, and overhead. If you plug old costs into your pricing formula, your profits will decline. Our company tweaks costs a couple of times a year. Knowing your costs is key to pricing competitively.
- **Understand your market.** Have a well-defined niche and stay in tune to what your customers want and what your competition charges for similar services. Once you know who you are, who your competition is, the types of services you're offering, and to whom you're offering these services, it's easier to price competitively.
- **Don't just blindly bid.** One way to make your pricing more competitive is to line it up with customer expectations. Find out what your customers want from your service offering, what their budget is, and what they're currently paying for a similar service. They may not be completely open with you about what they're currently paying, but it never hurts to ask. The same holds true when replying to a Request for Proposal (RFP). Try to avoid bidding on specifications alone. Do your homework and find out as much as you can about the project in question and expectations. Otherwise, you risk bringing in a bid that is too high or too low.
- **Be willing to negotiate.** Clients need to know that you're willing to negotiate, if indeed you are. Let them know you're open to discussing your price and how that might work within the framework of their budget.
- **Learn to benchmark.** None of us work in a vacuum. We compete in an arena full of other contractors, many of whom are bidding for the same or similar work. Find out how your stack up against them, regionally and among others around the country. You may find that your labor rate is not competitive, or that other costs are skewed compared to those in other companies. At that point, you can choose to get costs in line or target a different, more agreeable (profitable) market.

- **Use state-of-the-art equipment.** The old saying, "This is the way we've always done it," doesn't lend itself to competitive pricing. If you're going to work and price competitively, you need the very best, most advanced equipment available that suits your applications. You also have to continually look for ways to streamline your operation and make it more efficient (e.g., better routing, right crew size, and so forth).
- **Do your homework with vendors, too.** It's very difficult to give your customers the best service and price if your suppliers are not doing the same for you.

Other factors come into play when it comes to pricing competitively. Are you pricing to gain market share, or are you pricing for profitability and growth? You also have to differentiate yourself from the competition.

Ultimately, to price competitively, you have to cover all your bases. You may not cover all of the above strategies this year or next, but you need to cover them in time. In the meantime, consider this — to price competitively implies that you need to stay current, with costs, equipment, customers, and your market, among other things. If you do this, you're well on your way to keeping your prices current. 🐼

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