

Practical Pricing is Key

BY HEATHER GOOCH

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It's quality, not cost, that will keep customers long-term.

When it comes to pricing services, small pest management professionals (PMPs) in particular walk a fine line. As many respondents in *Pest Control's* Exclusive 2001 State of the Industry survey note, it's no simple task trying to strike a balance between charging what you feel your work is worth and staying competitive in the marketplace.

Dr. Randy Wilde, owner and sole employee of Wilde Pest Control, Baton Rouge, La., affirms that his rule of thumb is to never do anything where he would lose money knowingly. That said, however, he believes that he is freer to adjust his labor costs as a one-man operation than if he were a larger firm.

"When I'm booked stiff, if someone wants to book a job, I price it up. When I have nothing to do, though, I'll give someone a break on the labor," he tells *Pest Control*. "A large company doesn't have that ability to shift up or down, because the management is not necessarily the sales staff, and it would be a difficult thing to communicate back and forth."

Kristin Dodd, co-owner of Monroe, N.C.-based Carolina Pest Control, tries to give a \$50 price range for over-the-phone estimates so it won't be "too big of a shock" to the caller.

"If they're not asking a lot of questions, their No. 1 question is the price," Dodd, who has 16 technicians, tells *Pest Control*. "You can usually tell where they're coming from—'Okay, how much is it? I'll call you back.' They're just calling to get prices, as opposed to when people call and ask what will you do, what will you use. Those callers are the ones who usually end up going with you because you explain it better, and they're not going to be so worried about the price."

For Ed Bradbury, president of Viking Termite and Pest Control, Bridgewater, N.J., a minimum price approach fits the bill for his eight offices in a three-state area.

"We have a set menu with minimum prices," he explains. "We really do not allow our people to do anything less than that without managerial approval."

Pretreat Problems

Competition can be healthy, as long as you don't undercut your profit margin too much. This business basic is sometimes ignored, however, in the area of termite pretreatments.

"In our area, we have a problem with pretreats being underpriced—so much so that we don't even do it that much anymore," Dodd notes. "The low-ballers can do it so cheaply that we just can't even compete."

Dodd's father, David Dodd, is on a state committee to investigate the pretreatment problem in North Carolina. However, figuring out a solution has not been easy.

Wilde notes that Louisiana is in a similar boat. This season alone, he has treated three homes under five years old that were infested. During his inspection, he noticed in all instances that the foamboard was at least two inches into the soil.

"By state law, if the pretreating company had trenched around the structure, they would have found the foamboard," Wilde explains. "Per minimum standards, within the state of Louisiana, they are required to remove the foamboard. Since it was not removed, I can say as a matter of fact that the perimeter treatments on those three houses were not done correctly."

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—Ed Bradbury

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"I've dealt with customers who are of the opinion that *all* PMPs do a lousy job treating termites," he adds. "They base that on the perception that they've dealt with a company that is supposedly licensed and insured, yet is not doing a very good job. So, who else *could* do a good job? It makes people not trust us, and instead take matters into their own hands."

Bradbury notes that because pre-treatments are not required by housing lenders in New Jersey, they are not as common in his state. However, he notes that when Viking loses a bid to low-balling in any type of account, he figures they wouldn't have been able to do it anyway.

"At that point, we feel we've lost nothing. There's a certain cost factor that it takes for us to have that technician go out, put the key in the truck and go to the account. There's

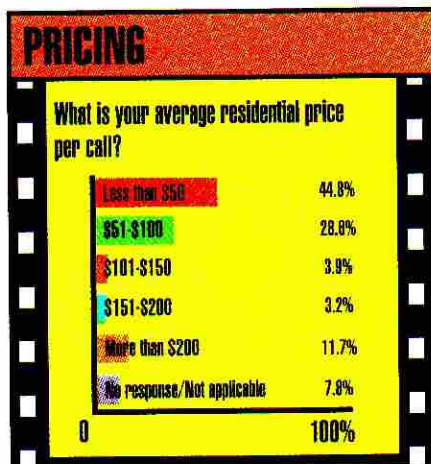
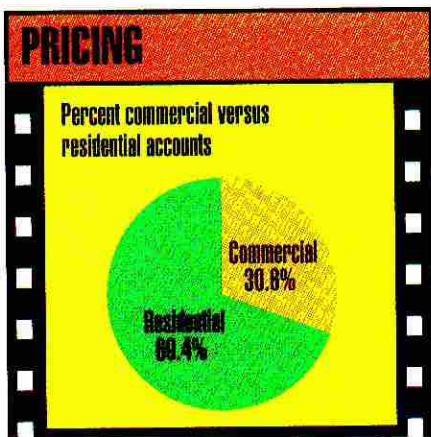
To Increase or Not to Increase

Industry consultant Dan Gordon, owner of PC Opportunities in Budd Lake, N.J., believes that pest management professionals (PMPs) should analyze their standard pricing for new work and existing customer contracts at least annually to determine whether prices should be increased.

What follow are six steps Gordon offers for determining price increase.

1. Your standard hourly billing rate should be analyzed and adjusted to ensure that your hourly cost and profit objectives are being met.
2. Your estimated time to complete a job, including time to retreat, should be reviewed to determine whether your estimated time to complete a particular job is accurate.
3. Your standard pricing for new work and your customer service records should be reviewed to determine the amount of time spent servicing each customer, and the amount of money that each customer was billed for the year.
4. Divide the total amount of money billed by the amount of hours worked, to determine the dollars per hour on each account.
5. Once the dollar per hour has been determined for each customer and each job type, compare that dollar per hour to the standard hourly billing rate calculated in step one. If necessary, increase the price to bring the dollar per hour in line with the standard billing rate per hour calculated in step one.
6. Once the price increase amount has been determined, the most important step is selling the price increase to your customers by showing the value of your service.

For an in-depth look at a particular pricing model, please refer to Gordon's article in the March 2001 issue of *Pest Control* ("Price Your Ant Management Program for Profit," page 32). You can also visit Gordon's Web site at www.pc-opportunities.com for more assistance in pest management accounting and profitability consulting. □



no sense in going below that, that's for sure! You're doomed for failure," he intones.

What about Professionalism?

So, how low can you go without losing your image of a quality company? The seasonal aspect of pest management work can be a large factor, but Bradbury notes the sales staff of companies can inadvertently have a negative effect on pricing.

"Sometimes you have a very solid company, but they're paying their sales staff straight commission or heavy commission," theorizes Bradbury. "If I'm a salesman, I want to eat, I do what I can to sell the job. I know that is not necessarily the policy of the company, but you're looking at it as, 'Gee, I know I should be selling this job for \$500, but if I lower it down to \$300, they'll take it.'"

Dodd reports Carolina is trying

to keep up with increasing expenses, yet also keep longtime accounts satisfied.

"We did an across-the-board price increase recently, due to the gas increase," she states. "We didn't do every account, it was done on an individual basis. We sent a letter out, but if someone really had trouble with it, we said, 'That's fine, we won't raise your prices.' We were doing that with some accounts that have been on the books since the 1950s. They've been there so long they've had very little price increase. We've been trying to gradually get them where they need to be without sending them into shock."

Bradbury believes that in order for the pest management industry as a whole to be taken seriously for realistic—not low-ball—pricing, the change has to come from within.

"We have to take more pride in ourselves, value what we do and

value our services," he tells *Pest Control*. "Customers all along have been willing to pay. Companies like ours are growing rapidly, and we're not growing on the cheapest price. I think customers are willing to pay for what they perceive as a better value and quality. It's just how it's presented to them."

Dodd agrees, adding, "Most of our referrals come from other customers. I think that is our biggest asset, having a good reputation in the community. We have a lot of people who call who don't even ask a price. They've just been doing business with us for so long that it's not a concern."

Wilde is building his young business primarily on word of mouth, although a referral incentive program has been working for him in one neighborhood.

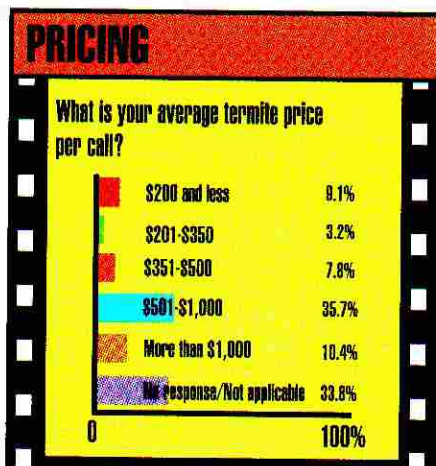
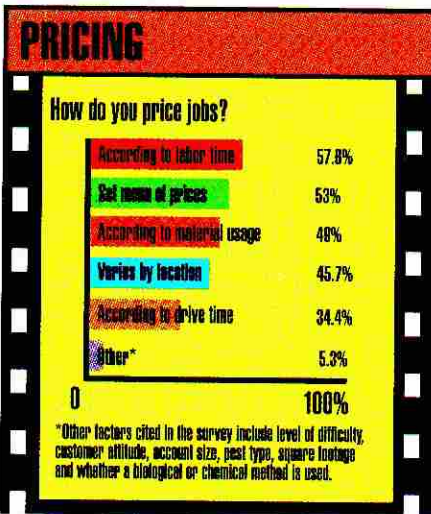
"People will get 25 percent off their next visit if they refer me to a

friend or neighbor who actually books, schedules and pays for an appointment," he explains. "There is no ceiling, which means if they refer me to four people, their visit is free. For some clients, that works great—they are bound and determined to get their discount every month."

The short answer to how to best determine price is that what will work depends on the area, the com-

petition and the company itself. However, Bradbury probably summarizes it best—"It all goes back to the individual company or person, and what they believe their individual service is worth." **PC**

Managing Editor Heather Gooch is Pest Control magazine's Web master, as well as a regional vice president of the American Society of Business Press Editors (ASBPE) Cleveland, Ohio, chapter.



Don't Price Yourself out of Business

Editor's Note: Pest management companies are often faced with a competitive market that forces them to make some tough decisions. Deciding to skimp on training and to lower prices just to beat the competition are two obviously wrong choices—but are they so obvious to the company that's making them? Dr. Randy Wilde, owner of Baton Rouge, La.-based Wilde Pest Control, shares a cautionary tale of one pest management company.

A couple of years ago, I helped consult a company on some of its termite callbacks. What it came down to was, some of the technicians weren't trained properly. They were failing to find hidden expansion joints. A lot of times, they weren't even cutting the access panel and treating the bath traps. That was leading to problems.

With pretreats, small companies will often try to match the big company's prices—and that is a very foolish thing to do. This company was losing \$300 to \$400 per pretreat, and they did a large number of them. As a result, the company is now in bankruptcy.

Due to some complications within the bankruptcy, its termite contracts were not able to be sold or transferred to another company. I know, because I was in negotiations to purchase them. A letter was mailed out before the completion of the sale, and a lot of people who were under contract with this company got hold of my phone number. They called me, wanting to know how their service was going to continue. I tried to make arrangements with the state where I could "adopt" them, but there was no way for me to legally do this without retreating their structure.

As a result, there are quite a few people who had been maintaining their contract for years, who now don't have one. To get under contract today, they would have to get their house completely retreated, whether they have termites or not.

A lot of this happened because the company did poor pricing. Its pricing structure was simply to match someone else's price. Because of this practice, it not only went out of business, but it isolated people with whom it had done business. Many of these people will be forevermore distrustful of pest management companies, particularly smaller companies without the brand recognition.

Another thing I uncovered while consulting with this company was the lack of proper inventory control of its supplies. Some termite technicians were doing bootleg jobs on the weekend with the company's equipment and pesticide. The end result? You're paying for something and getting nothing from it. Plus, it's depriving you of business.

It would be very easy for that to happen to even a mid-sized company, if it doesn't maintain good records of how much has been loaded onto each truck, how many linear feet each job takes and how much material has been consumed. Pest management professionals (PMPs) should periodically check their pesticide supply. If there's too much, the technician is not applying at the proper rate. If there's too little, either someone is applying at too high a rate or some pesticide is going someplace you don't know about. □

