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A New Word Is Added to the Paint Contractor's Lexicon



By Scott Burt

Paint contractors in my local market and around the country are talking a lot about the challenges of estimating and selling in the current market condition. Specifically, the challenge of trying to sell in a multiple-bid situation against “competition” that is, at times, priced as little as half of what is reasonable. That being the case, I’ll deviate from our usual product and service-oriented format to explore this topic a bit.

First off, I would say that if another paint contractor is estimating at half of your price, that would hardly qualify as competitive. There seems to be a perception among consumers right now that if they shop hard, they can hire paint (or any) contractors at really low prices right now. Some homeowners are outright requesting to receive materials at contractor pricing and are more vocal than usual about the fact that they are acquiring multiple estimates and that price is a predominant factor in their decision making. The contractors who would price at half of your price are obviously estimating from a weak and desperate position and are doing nothing but feeding the consumer perception that we are all weak and desperate.

Desperate Estimating

It’s a bittersweet debut, but I am now introducing the word “despermating” to be hereupon defined as desperate estimating. It is important to know the difference between a despermator and the classic trunk-slammng lowballer. The lowballer makes a living by deliberately undercutting the prices of legitimate contractors. His goal is to be the lowest price no matter what is happening in the economy. He often carries no insurance, prefers cash payment, uses the least expensive materi-

mate costs, company vehicles and uniformed employees and have in the past, when the economy was good, lamented over the scourge of the lowballer. The despermator had a slow winter, his guys drew unemployment and he came out in March realizing that he was much more upside down than ever before. There is a moment of panic for a contractor of any flavor when he realizes that he has to come out of the box hard in March. The despermator realized quickly with the first few estimates that he didn’t close

that something was not right this time around. So, rather than formulate a new marketing or sales strategy that would make sense from a business perspective, his knee-jerk reaction was the quick, easy and (he thinks) temporary solution of lowering prices to become more competitive.

Now more than ever, contractors I speak

with are scratching their heads when a customer informs them that they were not chosen in a multiple-bid situation and, furthermore, that the “winning” bid was half of their price. In March, I had a situation myself where I estimated an exterior repaint of a nine-year-old house that hadn’t been repainted since it was built. The house was approximately 7,000 square feet, with about 60 wood window sashes that were eight over eight divided lights. Also, there was a detached carriage barn in worse condition than the

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als and skips whatever steps necessary in the painting process in order to deliver the most superficial job at the cheapest price. The lowballer is not really to blame for what is happening in the world of competitive paint bidding right now. He is simply doing what he’s always done, only less successfully. Even he is outraged by the new wave of despermators.

So, just who are the despermators? The despermators are often real paint companies that actually do carry insurance, payroll, overhead, legiti-

house. I did a site visit, took digital photos and notes, and returned to my office to produce and submit the estimate. A couple of days later, I received a call from the general contractor, a longtime customer, who I sent the estimate to on behalf of the homeowner. The contractor told me that the homeowner had requested multiple paint estimates and that so far there were my estimate and one other that was half of my estimate. He was not looking for me to lower my price. Rather, he was asking me how he could present two dramatically different numbers to the same homeowner for (presumably) the same scope of work. He asked me to give that some thought, as he intended to present the estimates within a week. I told him that I would review the estimate to double-check myself and that I would shoot him an email with the results of that review. Here is that email:

I have just pulled the Delaney estimate and photos to review everything. The scope is outlined in detail in the estimate I submitted, but in a nutshell, the following is what I proposed:

- House prep (with pressure wash) and paint.....\$15,420
- Carriage barn prep (with pressure wash) and paint.....\$5,640
- Window finishing allowance (optional, at your request)\$6,250
- House deck restoration allowance (optional)\$875
- Total cost\$28,185

While the total would appear to be large, the sum of individual parts is realistic financial planning for a project of this nature. It just doesn't seem possible that a professional paint contractor would be able to cut any of these numbers in half and provide a similar level of quality and service as we provide to you and all of our customers. Are you sure that they indeed priced the project the same way that we did in terms of proposed services, product, process, etc.?

As I described to you yesterday, I occasionally am presented with this situation

by customers. If we are unable to educate our customers as to the difference in value between our service and the lower-priced alternative, then the sole deciding factor will be price, and it is simple human nature to choose the lower of two alternatives that appear to be the same. That's where it gets complicated. You have two paint companies pricing (hopefully) the same scope of work, assuming premium materials, proper process and the best-possible finished product. As an estimator, there is never any concrete way of knowing what the other guy priced in any of these categories, and often the other guy doesn't even know his true costs, he just knows that he needs the job and is willing to take money out of his own pocket to buy the job. I've built a healthy enough business that there is no one job that is make or break, while for many of our would-be competitors, their pricing reflects little more than desperation to secure work – now more than ever.

The key for me has been to focus on differentiation. Helping customers to understand that we offer a wide range of services, all delivered at a very high level by intelligent, honest and talented people. I direct new customers to our Web site during the proposal process, where they can quickly discern that this is a credible and reputable business. We build relationships with our customers rather than hastily painting the house, getting paid and disappearing. When they hire us and we commence with the work, the goal is to deliver at an even higher level than they anticipate. Fortunately, we build realistic, reliable and honest paint budgets that allow us to do all this. I suspect that your other bidder is only concerned with getting the job.

It has taken some strategy to build a better business for myself and grow during a most unusual market condition. It is primarily for that reason that I have to watch my pricing and costs carefully, know my numbers, and ensure profitability. I can't be too affected by the competition's pricing, especially in cases where it is this far off. If I did, I would be bound to only being able to run as successful of a business as my competition,

which I can assure you in most cases is not a satisfactory goal. You made some valid points yesterday about the challenge of presenting dramatically different numbers on the same scope of work, and I appreciated the spirit in which you did so. Please let me know if I can clarify anything further regarding my proposal for the Delaney project. If it turns out that we can work together on the project, I look forward to the opportunity, as always. If it doesn't work out, I certainly will understand.

Thanks
Scott

Needless to say, I didn't get the project, and that's just fine. The other guy can get on with the business of slowly going out of business. The one thing that we all need to remember right now is that we can't be so desperate for leads that every single call that comes in is life or death. If that is the case, then you will be despermating. The despermator is shortsighted and doesn't realize yet that the ridiculously low price may bring (at best) profit-neutral work in this market, but good luck explaining to customers in a year or two why you have doubled your prices. People will let you work at these prices, and they will demand a reasonable finish in return. In the future, the despermator will find a serious decline in repeat customers when he tries to readjust his pricing, which will lead to more of an extended stint in desperate estimating than he ever anticipated. It is a slippery slope when you get on it.

Meanwhile, it bears repeating: don't let any one lead in particular be a make or break for you. It's not a good time to sit and wait for the three-run homer. Get some men on base and manufacture runs. Keep the phone ringing and the pricing at a respectable professional level. Enjoy the rest of your summer!

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