

# Pricing Snow Services For Profit



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Everybody talks about the weather, but nobody ever does anything about it. This old expression is meant to be funny, but for those working in snow management, it undoubtedly rings true. The fact is: Mother Nature is unpredictable and uncontrollable. The challenge in this industry is to come up with a business plan that offers some certainty and consistency, regardless of what the weather does.

That means that guess-work doesn't cut it when coming up with a plan for pricing services. And to take things another step back, it means that costs have to be carefully calculated to be sure that whatever pricing plan is utilized will result in a positive bottom line. John Allin, an industry consultant and former president of the [Snow Management Group](#), boils it down this way: "The idea behind pricing out services is that you, obviously, want to make a profit."



Having a mix of seasonal, per-push, per-inch and per-hour accounts is common in the snow industry.

While there is a lot of variance in the way snow management services are priced in different parts of the country, Allin says the most common approach used by contractors is to have some mix of seasonal, per-push, per-inch or per-hour accounts. This pricing strategy offers contractors some protection. "If you price everything out on a per-push basis or an hourly basis, you tend to suffer if it doesn't snow. So you add in some seasonals in order to generate cash flow in times when it's not snowing and you're not working and generating revenue," Allin says.

For many years, snow-removal contractors have attempted to cover their expenses – equipment payments, insurance, electricity and all the overhead – using seasonal accounts, says Allin. "Then you'd make your money on everything else (per-push basis or per-inch accounts). So if you were losing money on seasonals because of a monster winter, you were making it up on the

per-push or per-inch accounts.” The rule of thumb under this system was to never have more than 30 percent of your revenue as seasonal accounts. “If you have half of your revenue as seasonal, you can end up in trouble, because if there’s a really snowy winter, you can run out of money,” he says.



Over the past couple of years, though, Allin says there has been a trend toward utilizing seasonal pricing with a “cap” and “floor.” Under this approach, a snow removal company comes up with a seasonal cost to do the work based on an average winter, and then starts to charge using a different methodology if the cap (a predetermined maximum amount of snow) is exceeded. “Say you’re in a market where you average 40 inches of snow, and you set the cap at 45 inches. So anything over 45 inches you’re going to charge more, whether that’s per-inch or per-visit, whatever you decide is best for you,” he explains. “That way, if there’s a monster winter, you’re mitigating the downside of that monster winter.”

Not surprisingly, customers being charged this way have quickly begun asking for some similar protection for themselves in the event of a relatively low-snow winter. So some companies have instituted a floor so if snowfall ends up below a set amount, then money is refunded. Allin recommends that caps be set at 10 percent over the average snowfall and floors be set 20 percent under, and the amount to be charged over a cap be the same amount to be refunded below the floor. What if it doesn’t snow at all? “If you set the floor right, the maximum you’d be giving back is about half of the contract; but if it doesn’t snow at all, you don’t have many expenses,” he says.

One of the biggest reasons that snow removal companies have begun adopting this pricing strategy is that it allows them to project revenue and profit, “which is a much more business-like way of handling things,” says Allin. “I don’t know of anyone who has switched to this model who has found it detrimental to their business. Now they know when they’re going to have money.”

## **Following a system**

Before you can figure out a pricing strategy for a given site, you have to find a way to know how much it’s going to cost you to plow it. “In any business, you need to know what your costs are,” says Allin. “The biggest challenge that any contractor has is figuring out how much it costs them to do business.” If you don’t know how much it’s going to cost you to plow a certain site, he states, “it’s time to get educated ... you’re not a business person, you’re a plow jockey.”

[All State Landscape Services](#) in Connecticut uses a management system to track not only employees’ time on each site, but how much material was put down, and more. That’s the only way to become profitable, says owner Peter Niro. “Track your costs, and know what you’re spending at each site, regardless of the way you bill (seasonal versus per-push versus cap/floor),” he advises. “We had one seasonal account where we didn’t do a good job at tracking the costs. Once we buckled down and did it, we realized that it wasn’t as

profitable as we thought.”



All State Landscape Services in Connecticut uses its own formula and spreadsheet program to run calculations for pricing that auto-fills documents. This approach minimizes double-entry and improves efficiency.

One way to help predict time and costs when bidding on new jobs is the use of industry production tables, which incorporate different values for different types of equipment and combinations of equipment. That’s exactly the approach being taken by [Sneller Snow Systems](#) in Michigan. “As a business, we’re becoming more systematized with better processes,” explains Dan Sneller, vice president of sales and marketing. “The way we used to do it, and the way a lot of companies probably still do it, is to just look at a parking lot, say it’s about a one-hour job, and assign a price to it. But the problem with that strategy is that you have to have a lot of plowing experience to have any amount of accuracy.”

Instead, Sneller Snow Systems has introduced a more consistent pricing strategy that does not depend simply on one person’s experience. That starts by measuring the property to be plowed using one of the many online tools available for that purpose and then determining what type of equipment is best suited for the job. “We assign a certain type of equipment and then we assign a production rate,” he explains. “We’ve done a lot of time studies, so we have a good, accurate understanding of how many hours a certain parking lot would take based on hundreds of other parking lots that we do.” Basically, it means the price quoted for a job is based on hard information and historical data rather than someone’s guess.



It’s best not to rely on one person’s knowledge to price services. Instead, use historical data to determine production rates to price jobs appropriately.

“We have what’s called a price-equation sheet where we plug all the numbers into the equation, and it automatically outputs a labor budget, material budget, gross profit margins, price to charge the customer, etc.,” says Sneller. The company uses its own formula and a spreadsheet program is used to run the calculations, with that information then auto-filling other documents such as proposals and invoices, minimizing double-entry and improving efficiency as much as possible.



Pricing snow management services is generally more complicated than, say, pricing lawn maintenance services, so a more complex system is required. For instance, “square footages, in our opinion, are not really relevant,” emphasizes Robert Kozol, owner of Robert’s Nursery, which provides snow removal services in Omaha, Nebraska. He says the square-footage of a property accounts for only 10 to 15 percent of the equation he uses when arriving at a price to charge. That’s because there are so many other variables to

consider.

"If we have a lot that's, say, 1 acre, and it's wide open, we could knock that lot out with just a truck and a standard 9-foot, 2-inch V-blade in probably half an hour or 45 minutes. Now, if you take the same square footage and there are a lot of obstacles, like islands and shopping carts and curb stops, it could take two or three hours to plow, and you might have to use some different equipment, maybe even some hand equipment," says Kozol. "So when we go to give a price, we look at every aspect of that lot." From there, his company can determine the amount of time it will take and the best equipment to utilize on the job; it then assigns a value to each type of equipment being used to arrive at a final price.



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## **Don't fear change**

One of the biggest constraints companies in this industry face is a fear of changing their pricing models. But that's exactly the sort of shift that's underway at Robert's Nursery.



"Traditionally, we have always priced by the inch, and a fee for our time, depending on the type of equipment we're using," explains Kozol. That remains the way his company charges for 95 percent of its accounts, but beginning this past winter he introduced the concept of seasonal contracts (payable monthly over five months). "The reason we have decided to do season is that it creates a better contract for us," he says.

Seasonal pricing is also something that many of his bigger customers are looking for: "A price per-inch is very hard for a large organization, whether it's an outlet mall or hospital, to budget for ... What we've recognized with some of our commercial clients is that they would much rather be able to budget; even if they might save a little in light snow years using a per-inch contract, they don't look at it that way – it's a lot easier for them to have a set dollar figure in their budget on a monthly basis."

All State Landscape Services has also recently changed its pricing models for snow removal, including a cap and floor on its seasonal accounts. "We have done per-inch and seasonal with no cap before and we have gotten killed by it," says Niro. "When it was a light year on the per-inch side, then we didn't make up for the money we spent in equipment, training, etc., and when we have gotten buried with snow, we would end up in the red on our seasonal accounts."

Now the company offers a combination of pricing models. "We use a cap and

floor mechanism, which caps us at a certain amount of inches on a seasonal contract, and the floor is a set amount where, if we get an extremely light year, we give some sort of credit back," says Niro. Currently, that credit is applied toward the following year's service, or in some cases can be put toward landscape improvements.

Changing to a new pricing model, especially a seasonal contract with cap and/or floor, does require more time for communication with customers to explain how it will all work. Rather than just sending out a contract with a per-push price, etc., "now you have to sit down and talk to them," says Allin. "Many customers just want you to email them a bid, so you can't change your model unless you get in front of them and talk to them. ... A true salesperson gets in the door and talks to people." You can still give customers the straight seasonal or per-push/per-inch price they're asking for, but also mention that you have another alternative they might want to consider, advises Allin. Any good property manager will be interested in at least exploring other alternatives.