



What is your award strategy for vendor contracts?

By Kevin Smith

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For some of you who maintain small portfolios for landscaping, say under 100 sites, you will often select one supplier to deliver landscaping services for all of your properties. However, for the majority of you that maintain hundreds of sites or in some cases thousands, it is common to select multiple service partners to deliver the required services. So what are some of the best-in-class award strategies that some of your competitors utilize?

To begin with, let's discuss bundling of work. Many of you who manage the landscaping often manage the snow removal and if your company also requires lot sweeping, that as well. Almost without exception, your national partners will be able to deliver all three services. We see many of our clients try to align those services with the same provider for each location, so store personnel aren't dealing with two or three different national companies.

Now, if price is a driving force — and I am sure it is — the low bidders for a site may be different for land and snow. However, many of the companies out there will offer discounts for aggregating services to a location. Here is the reality. If awarded 200 sites for land and 200 sites for snow, I can provide significant savings if those 200 sites for land are the same 200 locations for snow. There are real savings from a field perspective in negotiating vendor costs where the same local supplier will deliver both services and a certain ease of management by only having to deal with 200 managers and not 400 over a calendar year.

Now, sometimes as a supplier we will hear things like "I am ready to source out my land but my snow won't be out until the summer." How can I consolidate services by location? I would recommend negotiating a discount on your land if the supplier is awarded the snow. That way, it is predetermined and you can factor in future savings on land when making a decision on your snow. You have nothing to lose by negotiating a possible savings if they are awarded the snow. If they don't get the snow, there is no risk on your side, but knowing there is an opportunity to get both services may make them more competitive with their bid numbers.

So let's transition and discuss when bundling is not an option. Landscaping is your service being RFPed, and any award strategies need to be made just off that trade. Before beginning to drive down to a site-by-site analysis, which is likely impossible for those of you with larger portfolios, there may be greater value in carving up your site list by district, region or state.

For example, if your portfolio is spread out over 20 states and you average 30 locations per state for 600 sites total, using state as your lowest denominator will allow you to deliver a better solution to your stores as well as make the vendor management piece that your group maintains much more simple. Knowing vendor A is in Ohio and Michigan is much easier than if they had the same 60 locations but spread out over 20 states.

Now, we see many clients take this a step further and say they are going to cluster awards, so the vendor who wins California also wins Oregon, Washington, Nevada, Idaho and Arizona. Often, your own organizational structure will overlay these types of awards so the synergies are numerous.

In this scenario, the vendor will be winning 180 locations. While they may not be the low bidder for each state, you have leverage to negotiate them down due to the density of the award, making it a win-win for your budget and their ability to deliver service.

Service — this is the other portion of the strategy that is often overlooked. When clients review award strategy, they typically focus on price. However, let's look at it from the perspective of the winning suppliers. As somebody who has been in operations for more than 10 years now, I know managing portfolios without density across large geographic footprints are

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Do you often consolidate your services to one partner?

- 1 Yes
- 2 No

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simply more of a challenge.

For example, if I am trying to engage a local regional manager from my client to work on ensuring we are meeting demands, to address any transition concerns and to make sure they understand the scope and the program, it is much easier to fully engage them when I am their only national company. If they are working with three or four others as well, their time is limited and I know we won't be nearly as successful as we could have been. It is simply a matter of how much time they have in their day.

At the end of the day, there are numerous options in how you award your portfolio — on a site-by-site basis, by district, region or state or on a larger scale by areas of the country. When defining your RFP goals, every individual goal needs to be weighed against its impact on the program as a whole, and how much importance is placed on each.

The true value and cost of the program is not simply derived from the price point of say mowing the grass. Impact on store operations, stakeholder resources and most importantly the impact on the customer and potential customer will also need to be calculated into your decision. Unlike say your HVAC or your janitorial or housekeeping services, where every customer views the results, your landscaping is viewed by one additional group — the potential customer — who is driving by and is making a decision as to if this is a place he/she wants to spend hard-earned money.

For a consolidated program to be successful there must be a commitment from the supplier to engage all of the necessary resources to deliver the services to brand. However, our best programs are established when the client engages back, providing feedback and effective interaction. I would imagine designing and implementing a program that is sustainable for both your supplier and your own stakeholders is a critical initiative. Developing an award strategy that provides the opportunity for those results would be in our mind best in class.

Kevin Smith is chief operating officer at Ferrandino & Son, Inc. He has 11 years of experience in facilities services and exterior maintenance, has written many articles and white papers, and has produced podcasts and webinars on "best practices" within the industry.

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