

Veteran Texas Contractor Outspoken

Toward Unethical Pricing and Contracts



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Power Clean of Texarkana first came to my attention when the owner, Charles Norton, forwarded me a copy of an email he had recently sent to his company’s Walmart representative. In that e-mail, as well as a subsequent one, both of which you will find attached as part of this feature article, Norton does a good job of articulating some of the problems I have heard verbally, time and again, from a number of other contractors.

The difference: Instead of just complaining about what is going on with many third-party service providers as well as within the Walmart system, Norton actually sent a message to the organization in an attempt to get them to understand the issues. For that admirable stand, the World Sweeping Association decided to feature Norton’s company in November of 2013.



After graduating from Texas A&M with a degree in engineering, Charles Norton was employed in the Texas oil industry until the mid-1980s when oil prices tumbled. He then started a power washing company and his story of getting into parking area sweeping is a familiar one: He began getting requests for his company to handle sweeping. This led him to purchase a small, local sweeping company and bring it under his own firm, Power Clean of Texarkana.

“At that time, which was about 1988,” said Norton, “I began to sell more and more services. The sweeping portion of my business was growing and the market for external maintenance services was healthy in this area. At that time you dealt directly with the store manager in negotiating your service and you felt like you had a partnership. If there was an issue with one of your customer properties they could call you and you could take care of it. If you were doing a good job, your business grew. I ended up with two trailer-mounted washing units, four sweeper trucks and 14 employees.”

Power Clean kept growing until about 2006, when fuel prices started taking a toll. Because indicators predicted the increase would be short-term, Norton chose initially not to pass along a fuel surcharge to his 'partner/customers.' Norton said he determined to suffer through the 'temporary' price increases, feeling that when times got better they'd be able to get an increase in pricing to cover the increased expenses. That would allow them to, once again, be able to recapitalize and continue to grow as a part of, as Norton puts it, "the American Dream."

However, fuel continued to climb to nearly \$4/gallon over time, other expenses followed suit and, in the interim, many of his company's customers underwent a fundamental shift in how they conducted business. That's when the trend toward price-cutting third party vendors, and similar, started gaining a foothold in the sweeping industry.

"While expenses, from groceries to fuel to insurance, have become more expensive," said Norton, "our industry has lagged behind in getting the price increases we need to recapitalize our equipment and advance and grow as profitable companies. The question may be 'Have we reached the point where our services have exceeded the amount the customers are willing to pay?' There needs to be some type of reinvention of the thought process in regard to what we're doing and the services we're providing."

In the attached audio interview, Norton discusses how he sees contractors modifying their service structure to account for current and emerging changes to the contract sweeping industry. For example, including porter services as a standard service reduction option to offset the problem of losing out on bids to companies that turn in low bids for services that are just providing day porter services by hand—even though the request for proposal called for power sweeping.

"We have encountered situations where we have bid on contracts that require sweeping and then have found out later on that we've been beat out by a completely different type of service. This creates a real dissatisfaction; you feel like you're not playing on an even playing field with the customer. There's no reason that we, as sweeping contractors, shouldn't be able to design a service that meets our customers' needs. If there's a cost restriction, that's not a problem.

"Let's meet and tell them what we can provide that meets their requirements, whatever those are, from cosmetic to legal. However, those requirements need to be stated by the customer, rather than sending a specific request for one type of service and then giving the contract on a low-bid basis to someone that isn't even close to meeting the contract's requirements. If there is a variance from the scope of work, and/or the scope of work that is issued by a company is not enforced, then the integrity of the whole process goes out the window."

Given what is occurring in today's market with third party vendors, it seems like a better model may be to offer a specific available budget and then have contractors bid to the budget—with enforcement on the outcomes. In other words, everyone bids the same price but the service level is what changes.

Unfortunately, it is a somewhat widespread phenomenon in today's marketplace that contractors working with third party vendors are cheating; there's no nicer way to frame it. Even though they know they cannot provide a specific level of service for the bid

price, they also know there will be little-to-no oversight from the remote third party vendor company. That's where tools like GPS and the call-ins to service monitor phone numbers can play a more active role in verification of services. Some third party companies now employ these; others, like Walmart, use the ServiceChannel verification system.

However, industry contractors are in many cases not being told the service level that is being requested *and that will be enforced*. In some situations, the specifications for the job specify one thing and the winning low bid contractor has proposed something else entirely. In others, unethical contractors say they'll perform at a particular frequency of service and have no intention whatsoever of doing so.

"The reality of the situation is this," said Norton. "The customer wants better pricing, and the only way you can give them better pricing is if you provide them with less, or a different type, of service. There's nothing wrong with the mix of portering and sweeping, for example. However, if you go in with the belief that they want total sweeping services and in reality it's all just about cutting costs—and that the scope of work will not be enforced—then you are really at a disadvantage. What we're seeing today in our market area is that the scope of work requested at the corporate level is not enforced at the local store level.



"That fact, combined with an increasing inability for contractors to even contact the local store manager whose location is being affected by the poor service, has created a multi-layered problem that's only getting worse. I will not succumb to not doing the work that I've agreed to do under contract. Not only is this not ethical; in addition, it creates a significant liability for your company in the event of accidents or other situations occurring. What many of the larger organizations seem to be doing is making the scope of work a

protective front for themselves, at the potential expense of the contractor. The question is, how do ethical contractors compete in this type of situation, especially when we often cannot even communicate with managers at the store level or, as is the case with some third party vendors, at all with the actual customer?

"Every ethical contractor wants to do a good job and be legitimate about what they do. For that to happen they need a realistic, enforced scope of work and a fair price for their service. What's happening now in the sweeping industry—in this era of increasingly unrealistic pricing mandated by marketing firms that in many cases have no real idea of what we do or our expenses—is that recapitalization and related expenses have to get pushed. Oil changes and other maintenance get pushed past when they should occur. Training, including on safety issues, may not occur. Pretty soon you're also operating your company out of equity and that just doesn't work. If you can't provide your services at a rate that allows correct maintenance, training, recapitalization and a living wage, then you're in the wrong business."

The two emailed letters Charles Norton sent to his Walmart exterior maintenance contact, Penny White, are shown below. We applaud Charles Norton's articulation of these core problems that are occurring in the parking area segment of the power sweeping business currently. We also agree with his analysis and would hope that third party vendors, as well as the national companies who hire them, take lessons from the above. In our opinion, these entities need to realize that the current pricing models, and onerous reporting requirements, are alienating top-flight, ethical contractors from working for them. Ultimately, they will be left with properties that are poorly maintained and open to ending up with a host of other problems.

Contents of letter #1:

Penny,

I have been a partner with Wal-Mart for the past twenty years. It is disappointing to me that my sacrifices seem to be of such little value today. The path being taken through the use of management companies diminishes any profitability. It forces those service companies at my level to cut corners that put you at risk. I would not succumb to past situations regarding not complying with your scope of work just to have the business. In doing the right thing, I as a service vendor protect your interest as well as mine. Pleading negligence doesn't work, as we know the fault will always find its way to back to the deepest pocket.

It is important to note that the continued turn over in service contracts creates such instability in the mind of the contractor that the risk of recapitalizing is to great to take. This diminishes the level of service and in sweeping you go back to a dustpan and broom. Those that remain will cut corners to remain somewhat profitable if they can. Another thing you will come to learn is that your management company will not tell you this. You will hear about efficiencies and cost savings but you will not be getting the whole story.

I am not smart enough to know if the risks financially exceed the gain: However what is right is always the right thing to do. I also know that when we all win, we can all be winners!

I have great pride in the work that I do and value the friends I have made in the Wal-Mart organization. I would gladly help you with questions at any time should you ask and only wish you the best!

Regards, Charles Norton
CEO, Power Clean of Texarkana

Contents of letter #2:

Penny,

Consistency needs to be required in regard to enforcing your polices. The scope of work forms submitted from your office serve as a guide for the legitimate contractor to price from. If work is awarded solely on price and the scope of work not enforced, it is no more than a front for liability purposes.

Not enforcing your polices is bad business, it creates unrealistic pricing in the market and hurts the legitimate contractor. I'll give a few real life examples from your stores.

I was asked to provide pricing for a sweeping contract at a Sam's Club in Texarkana. I submitted my pricing and was not the lowest bidder. The new contractor did not use a sweeper truck, but provided what we in this industry call a porter service. I questioned the store management in this regard and the reply was "You got me!" No recourse was made by the store and my years of service seemed to count for nothing.

In another instance, on the Arkansas side in my area, I was consistently being questioned in regard to the cleanliness of our service. I began to send two sweeper trucks on a nightly basis to make sure we were doing the best we could. I later lost this business to a porter service and came to find out from an inside source that it was all about pricing; there was never a problem with my service, just that they wanted better pricing.

We also provide pressure-washing services. Your scope of work indicates that the contractor is required to reclaim their water. I have noticed competitors at a number of your locations in this area in noncompliance, but no one enforces your polices. The contractor must be set up for the proper reclaiming of water which is not a filter sock at the storm sewer. I reported this to your environmental compliance department, but no action was taken.

Your instructions to service providers, written into your scope of work, is that work is not to be subcontracted. After being released from our contract agreement we were allowed to rebid as a subcontractor to the new contractor, Merit, for the same services. This looks like a manipulation of your service providers for better pricing.

I understand the desire to cut cost. However, legitimate contractors in this industry want to work with you. There are ways to cut expense without sacrificing integrity. Already there have been no fuel surcharges as fuel prices have increased. Basically, we've been "eating our expenses since 2006." Your new invoicing service also creates additional office expense. Ask us and we will tell you where efficiencies can be maximized. We want to work with you to meet your goals.

For years you trusted us with your business, it's hard to comprehend such a big reversal.

Sincerely,
Charles Norton
CEO, Power Clean of Texarkana

After reading through this article on him and his company, Charles Norton offered the following as a closing comment:

“I would encourage others to speak up, and to use the World Sweeper News Organization to voice opinions. Know that there is strength in numbers and this organization gives you a voice. You can help by making sure that demands from corporate management and third party vendors are representative of what is achievable.

“Communicate to them that there are certain costs associated with the power sweeping business that determine ethical pricing; and, as Ranger puts it ‘You can seldom have both the top-level service and the lowest price.’ Any discontent with the changes needs to be resolved and we need to move forward. We in this industry want to work with our customers to achieve their goals!”

You may reach Charles Norton via email sent to powercleanoftexarkana@yahoo.com.
The company’s website is: www.powercleanoftexarkana.com.

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