



**WORLD SWEEPING  
ASSOCIATION**

## **Third Party Vendors: Cautions and Analysis**

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*The following are the ‘generalities’ that WSA recommends that contractors evaluate when considering the price at which they should bid third party work — or when deciding whether or not to even bid on a project. Like with most situations, not all of the third party companies may operate via any or all of the ways discussed below; however, most all have been shown to operate in some of the manners outlined. Included in this analysis are the insights gained from speaking to a number of contractors on this topic over the past months and years.*

### **Introduction**

First off, there is no question that ‘acquisition and maintenance costs’ with third party work are significantly higher than with direct bid contracts. Time and again I’ve heard stories about how a number of the third party companies in the WSA Survey have nickel-and-dimed the contractors doing work for them. Bear in mind that unless you go into these relationships with a complete understanding of everything involved, ‘a little here and a little there’ can add up to you working for FREE.

**The following are the major points you need to consider when deciding about working for any particular national service provider:**

### **Not paying the full amount of invoices**

Reasons given include (often undocumented) alleged long-past complaints about work effort; alleged reporting missteps of some type by the contractor; alleged non-receipt of faxed invoices; adding of hidden service charges, etc. The stories abound about the many and sundry ways that third party companies have found to not pay invoices, or to not pay them fully. Just look at some of the comments that were received in our Survey to get a true idea of the scope of this problem.

### **Not paying invoices in a timely manner**

Bear in mind that third party companies are notoriously slow paying. Seldom have I heard of third party companies paying within the timeframe they promise when letting a contract. When they do, it is often the result of you agreeing to a significant discount if they pay in a timely manner. As a general rule, third party companies take much longer to pay than do direct-bill customers.

### **Providing a faulty or incomplete scope of work prior to the bid**

There is a clear pattern of third party representatives explaining a work scope — on which many contractors provide a bid because they’re told “the actual contract isn’t available yet — then having a significantly different scope actually contained in the contract once it’s received by the winning bidder. In a significant number of cases, the contract is received by the contractor only after sweeping has commenced and the vendor knows the contractor will be loathe to create any waves.

Included in this section should be that contracts received after work has commenced often contain clauses that were not discussed or that have been added. Again, many contractors will just shrug and sign the contract, hoping the onerous clauses or too strict scope of work won’t be enforced down the line. This course of (in)action can definitely result in big trouble.

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### **Requiring onerous and/or expensive reporting processes**

This is a several-fold problem. One is the time it takes to learn a particular third party vendor's required reporting system and then consistently doing it right such that \$\$ deductions aren't taken periodically. The second cost to the contractor, in some instances, is the expense of having to have 'work completed satisfactorily' paperwork signed by the property manager, from daily to weekly. (Without this being done, a number of third party vendors withhold invoice payments for the work performed.)

In addition, we have situations like what ServiceChannel is doing when this was written in mid-2013: The organization is now mandating for most of its contractors a \$1 per invoice charge. With that, it is requiring that each service, and each type of service, be separately invoiced. This can create several \$1 charges per invoice period, costs that mount up over the course of a year. Added to this is the time it takes to invoice through ServiceChannel's system; one contractor I spoke with recently has tracked that it takes *2 hours per day* for his assistant to do the company's ServiceChannel invoicing!

Another third party vendor contacted sweeping and other maintenance companies to report that they were "finalizing a large chain store account in your area" and that to get on the bid list the contractor needed to pay \$75 and fill out the required paperwork. The punch line? The third party vendor didn't even have the account and the \$75 was non-refundable!

### **Expect a comparatively high level of complaints**

Not used to getting complaints about your work? With much third party vendor work that won't be the case. Here's why:

Most third party accounts pay far less than would ordinarily be the case for the same scope of work without the vendor in the middle. Then, after the contract starts, there are often hidden fees and losses the contractor didn't count on. In addition, the frequency of sweeps is often not what it actually should be. As a result, there is a higher incidence of customer dissatisfaction, along with a general inability of the contractor to provide the quality of work product that would normally be performed. This increases the complaint cycle from the property managers. In some instances, however, the property managers' hands are tied by corporate as to the sweeping frequency. In these situations, individual lessees on the property are sometimes the ones who call to complain, with or without the encouragement of the property manager or anchor tenant.

Another reason for a higher level of complaints is that it appears some third party companies may be alleging complaints in order to not pay for work. I've heard stories of currently invoiced money being withheld because of an alleged property manager complaint that occurred as far back as six months previously.

### **Onerous contracts increase potential liability and losses to contractors**

The wording of third party vendor contracts is notoriously slanted against the contractor(s) performing the actual services. Many contractors are not sophisticated enough to understand the implications embedded in the contract's fine print. For example, unwitting contractors have found themselves locked out of significant business simply because the third party vendor was changed and their previous contract had a non-compete. Or, as was the case with Oxford Property Services' bankruptcy surrounding DDR properties, the contract stated the contractor could not pursue payment directly from the property owner.

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The vast majority of third party contracts should NOT be signed as received. However, contractors (rightly) assume that if they cross out sections of a contract when they submit their bid, their bid may not be accepted (at least as long as another contractor was willing to accept the original contract terms). I've heard a number of horror stories from contractors who either didn't realize what the contract actually said, or 'assumed' the contract provisions would never be enforced. Some of these were fatal mistakes, costing the contractor their livelihood and their business.

An example, in addition to the non-compete referenced above, includes 'eyes-and-ears' wording that actually makes the contractor liable for all manner of injury that might occur on the property, because they have signed a contract that says that part of their job is to notify either the property manager or third party vendor about all manner of defects on the property. Many of these types of clauses are included in order to shift the all manner of liability from the property owner to the sweeping contractor.

One third party vendor representative I spoke with, when asked why his/her company provided such a one-sided contract, told me "We had our standard contract drawn up by a very high-powered legal group. On the other hand, many contractors don't even have an attorney. If they sign the contract as received, then we have a variety of clauses we can invoke in our favor if the need arises. If they have sense enough to cross out some of those clauses, though, we usually accept the revised agreement. Like anyone else, we conduct our business in the way that will stand to bring us the most benefit."

### **Loss of up to three months of previously invoiced work**

When you bid on a third party contract, understand that the third party vendor in all likelihood will, at some point, lose their contract. When that occurs, there have been many reported instances of non-payment of whatever invoices are currently outstanding.

A number of third party vendors have simply quit paying their contractors when they lose the account. They are well aware that the legal fees required by each individual contractor to recoup their invoiced amounts might well outweigh the money owed. So, when you bid the initial contract this likelihood is something that should definitely be factored in.

### **Unrealistic pricing structure created by third party salesperson**

A familiar refrain is the following... "I'd been sweeping the (fill in name of box store) for \$65/sweep. The third party sales guy said that to be competitive I'd have to be in the ballpark of \$28/sweep, well under my cost to do the work. But, figuring I had to be REALLY competitive to get the job, I came in at \$35/sweep, even though that was way under what I would have otherwise bid."

The third party salespeople are well-trained to offer up a truly low \$\$ number, knowing it will spur contractors to bid much lower than they would otherwise. Often, this is also lower than they should be bidding to make a normal profit. In addition to the fact that contractors are finding themselves in unsustainable contracts, there is another, somewhat hidden market factor that this is creating.

These truly lame-brained, er, low-ball bids effectively lower the value of the sweeping provided across the board. The value of sweeping is brought down to an unsustainable level, one that may never again rise to a realistic price when the third party vendor is fired at some point in the future. The box store or other client may well fire the third party vendor; however, they will be loathe to go back to the previously competitive level of pricing.

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Another common fallout from taking jobs with unrealistic pricing is that other, direct clients with similar properties will learn — and believe me when I say that property managers tend to be a tight-knit group that talk together often — that another property is being swept for \$35/sweep and yet they are paying the same contractor \$65/sweep. When they do, you can count on getting a call... unless they bypass you because they think you've been ripping them off and just call the other contractors in your market area for a re-bid behind your back.

### **The cost — to your company's reputation and otherwise — can be enormous**

Because they did not fully recognize some or all of the problem areas discussed above, many contractors have found themselves locked into an agreement to provide a level of services they simply cannot perform for the agreed-upon price. Unfortunately, what a number have then reported doing is to skimp on the actual services they provide: They don't show up on one or two of the nights they're supposed to sweep. Or, if they do, it's just to change out the trashcan liners and to quickly grab any big stuff from the parking lot. Or, they give only 25 minutes to an account that needs 40 minutes a night in order to stay looking good. The result? The contractor's reputation declines, since it becomes apparent that the property being swept is not being kept up well.

Another cost to your company is that you'll no longer be able to afford to replace your wear items, or even your worn-out sweepers themselves. Without a normal profit margin, you won't be able to train your employees as they should be, which means they will do a less cost-effective job for you as well as not treat your equipment as well as they would otherwise. You'll probably have a higher rate of employee turnover, as well. You'll find you have to cut down on things like safety training, uniforms, routine maintenance, advertising, community service and much more. Vacations will become a thing of the past, let alone the prospect of retirement at a reasonable point in the future.

Not providing the level of service you contracted for, or that a property actually needs to be kept at its best, is a slippery slope that will end in tragedy for your organization. It's bad for all kinds of important things, like morale and profit and reputation. Over time, it's a treadmill a hamster couldn't sustain.

### **The bottom line**

I want to make it plain that what you read, above, is NOT legal advice. However, it *is* advice and analysis from a graduate level economist who has a quarter-century of experience working as a business consultant and more with power sweeping contractors. And, part of my advice is that if you're going to be working with third party vendors you need to get competent legal advice, about any contract provisions you don't completely understand, before you attach your signature to the bottom of them.

It's not up to me or anyone else to tell you what to charge for your services or who to do work for. You're the one who needs to know your costs and how to run the most cost-effective operation possible. You also need to keep up with the latest advances in sweeper types and technologies that are tailored for every type of work you're doing. Added to all that, you need to actually perform to a satisfactory level any work you have agreed to do, which is the only way to build a professional company that will stand the test of time. Then, with a little luck, lots of hard work and a few sleepless nights here and there, I'm convinced that the power sweeping industry can still provide what you need to grow, prosper and retire in a style in which you'd like to become accustomed.

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Cut too many corners, though — or make a habit of agreeing to sweep for too little money under a contract that has the potential for taking it all away from you — and you'd be better off quitting now and going to work for someone who won't make the same kind of mistakes.

**Finally, I strongly recommend that no power sweeping contractor should take on work for a national service provider before reviewing the ratings and ongoing comments about the company available at the World Sweeping Association website.** At the site, WSA Members have access to ratings and comment information on over 25 national providers. **Access to information on specific third party vendors in this group will be provided to property managers upon request.**

If I can be of assistance in any way on the topic of power sweeping, [let me know](#).

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