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## The Truth About The \$189.00 Window Companies

First of all, nobody really buys windows for \$189.00 per unit completely installed and completely trimmed. Years ago, these types of ads were called 'BAIT-'n-SWITCH.' Today, they're called (sell-up) or (step-up) ads.

1. The \$189.00 price includes the least expensive window that the companies purchase, and they pay their installers \$25.00 per window to install.
2. These are just some of the items that are not included in the \$189.00 price per window that is advertised:
  - A. A true measure and install fee (\$100.00 - \$150.00) per job?
  - B. A sash removal fee for wood windows, and, maybe more for aluminum or steel tear-out (\$50.00 - \$150.00) per window? In the ad, what does "normal installation" really mean?
  - C. Complete and professional capping or trim fee (\$50.00 - \$75.00) per window?
  - D. A fee for screens per window?
  - E. Fiberglass insulation?
  - F. A fee for taxes?
  - G. A window removal and/or disposal fee?

All of that being said, the advertised price of \$189.00 may just come to a \$259.00 - \$299.00 per window for a **no frills** inexpensive window. If they want to upgrade to a better window with Low-E and Argon the price goes to \$349.00 - \$499.00 per window.

Does the advertised \$189.00 window come with nite-vent stops, or maybe just one, not two? Does it come with one or two latches on the center meeting rail? Is the window made from 'pure virgin' vinyl or regrind material? Is it a beveled frame or is it square box looking? What type of glass and how thick is the dead-air space? What type of sills does it have? Is the frame extrusion and sashes as thick as their top-of-the-line window? How much weatherstripping is on the \$189.00 window? Does that include caulking front and back? Does that include clean-up and hauling away all debris? If the \$189.00 window is for white, how much more for a color? How much more will that be if we got these extras on the advertised window, or, can you even get it on that window? What does 'normal installation' mean to the homeowner? Most likely, the majority of the bids are not for a 'normal installation.' Now what's the price?

The \$189.00 ad works in one way, and one way only. It gets the phone to ring, and gets the salesman into the home, where he belongs. Normally, when the phone rings for that particular window, the homeowner has already shopped around, and may already have had more than two prices. They want to know what this \$189.00 window is all about, and what it looks like. In other words, just maybe; what's the catch? Why can't we get all the 'bells' and 'whistles' in the advertised window? Is this what they mean by a: Plain Jane Window?

Now the ad specifies that the price of \$189.00 is for a double-hung window. Now, once in the home, how much more for the two sliders we have? What would be the price for a bay, bow or garden window? Do you do patio doors? What's the price for that?

You should remind the homeowner what Warren Buffet, the billionaire investor in stocks and companies once said:

**"Price is what you pay. Value is what you get."**

## **CHEESE ON YOUR BURGER**

A close look at the arguments against the low-price companies finds that some are legitimate, some half-true at best. Start with the oft-repeated charge that they employ bait-and-switch tactics to get in the home, then upsell owners with a window at twice the advertised price.

It is the case that low-price companies advertise only their lowest-priced product. But in retail sales, bait-and-switch — as defined by online encyclopedia Wikipedia — is “a form of fraud in which the party putting forth the fraud lures in customers by advertising a product or service at an unprofitably low price, then reveals to potential customers that the advertised good is not available but that a substitute is.”

When directly asked by REPLACEMENT CONTRACTOR to respond to the charge that they practice bait-and-switch tactics and are deceiving consumers with their advertising, executives from three major low-price companies firmly denied it. “Our \$185 window is the one we walk in the home with,” says Gardner, of Clear Choice.

In fact, the low-price window is always available to customers. But it's a generic double-hung window that comes with no insulating gas, no low-E coating, no capping, nor any of the features typically included as part of the price of a vinyl replacement window that more typically sells for anywhere from \$450 to \$700. These add-ons must be — and nine times out of 10, are — ordered by the homeowner.

“I would guess that 10% to 15% of our windows are sold at \$189,” offers Whitworth. “Our contract is itemized. We show every customer the options.” He also notes, “Our average selling price is way below \$400.”

Actually, dividing the number of window units Window World dealers sold by the company's 2007 sales produces a figure of roughly \$251 per window, or about a third more than the advertised price. Using the current Window World price sheet, the cost of a Series 6000 fully welded vinyl window (\$235) with the \$69 extras package that is listed (it includes half-screens, double locks, argon, low-E glass, and a double lifetime warranty) would be \$304. And though the price in Window World advertising is “\$189 installed,” that installation would have to be relatively primitive, since a separate “Miscellaneous” portion of the Window World price sheet lists various extra charges including sill or jamb repair (\$45), sill or jamb replacement (\$125), custom exterior trim (\$50), etc. In addition, there is a “measuring and landfill disposal fee” of \$100 for the total job.

Clearly, while some portion of the windows sold by Window World, Clear Choice, and Window Depot USA are sold at their advertised price, the great majority are not. “If you want to make money in this business, you can't live on \$185,” concedes Clear Choice dealer Cassidy. “But 30% of my customers are \$185 customers. Some people don't want certain features. If you want cheese on your hamburger, that's extra.”

## **A GOOD WINDOW, CHEAP**

Another frequently used argument holds that the low-price companies sell a cheap, meaning inferior, product. But the products sold by the low-price companies are made by reputable American manufacturers such as Alside (Window World), Republic Windows & Doors (Windows by Bob), Silver Line Windows (an Andersen division, and one of seven suppliers to Clear Choice), and MI Windows and Doors (exclusive supplier to Window Depot USA in a recently negotiated agreement).

“We have a lifetime warranty, Energy Star compliance, the Good Housekeeping Seal of Approval,” Venable says. “We're not selling a cheap window. We're selling a good window, cheap.”

“Good” in this case means a sturdy, serviceable window. It's not top of the line, but it's not shoddy goods either. Does Window World, for instance, actually deliver what its tag line promises: “Simply the best for less?”

The Better Business Bureau doesn't think so, and the two organizations have engaged in an ongoing dispute, with the national Window World organization finally electing to withdraw from the BBB. But the fact is, the products carried by low-price companies are made by the same manufacturers and are backed by the same sort of warranties as those of many other window replacement companies.

Still, the question remains: How do the low-price companies sell the products of reputable manufacturers at half to a third the price that other companies are selling those windows for? “I don't sell a quality vinyl window to the dealer at that price,” says Wayne Gorell, owner of Gorell Windows & Doors, a well-regarded brand manufactured in Indiana, Pa.

The ability to order a million units from one manufacturer entitles the purchaser to volume discounts, passed through to the dealer network. That's one explanation.

The other, low-price dealers say, is that for them to be profitable, they must move lots of windows and run lean and mean. If, for instance, it costs an average of \$65 per opening to install a vinyl window — and some companies pay as much as \$100 — then the low-price window dealer needs to be able to install that window for \$35 or possibly even lower. How? Dealers such as Castonguay say that they can negotiate such prices by promising installing subcontractors all the work they can handle. “Once our crews figured out what they were doing, they started to look at things critically,” Castonguay says. “Before you know it, we have four-man crews installing 400 units a month.”

Traditional window companies wonder about the quality of an installation that takes half as much time. “You're pulling out the trim stops, pushing in four screws, you caulk it up and go,” notes Talmon, of Larmco Windows. “And there are people who are going to say: ‘Well, it's better than my 80-year-old window.’”

Mike Kelly, owner of Kelly Window & Door, in Cary, N.C., owned a Window Depot USA dealership for a year. His original intention was to rehash no-sales. Kelly made one of his Kelly Window salesmen a Window Depot USA rep. Finding installers was a bigger problem. To make sufficient margin on the low-price sale, Kelly, who was paying his regular installers an average of \$70 per opening, needed to find subcontractors who would install for half that. He couldn't.

“I interviewed a lot of folks I could pay \$35 to, like a lot of the low-price,” he says. “But I couldn't feel good about putting them out there with my name attached.” Ultimately, he ended up using his regular installation crews — “they'd just change out their hats and shirts” — at their regular rates. That cut his already “razor-thin” margins to unsustainable levels.

Low-price companies also squeeze overhead costs by doing away with conventional sales commissions. Where traditional home improvement companies pay reps 8% to 12% on sales, and often throw in bonuses, Window World dealers pay reps a set amount for each item on the price sheet. So, using the earlier example of the Window World Series 6000 window, and supposing that the total job involved 10 such windows at the listed rate of \$15 per window, the sales representative would earn a commission of \$150, in addition to smaller commissions on any additional services sold, such as capping. So, on a job totaling \$3,005, the rep would net \$175 at most. And he would have to sell two jobs to pocket as much money as he would working for a traditional home improvement company.

For low-price reps, the upside is that homeowners, convinced they're getting the absolute best price, are often receptive. And they like the idea of getting a quote without a presentation. “People like to buy. Not to be sold,” says Castonguay, citing the comparatively stress-free pitch he now delivers. “I would be surprised if you could point to one single consumer who wants to buy [the traditional] way.”

But traditional window replacement companies maintain that windows are a complicated product, which in-

volve construction; that they're typically a far larger purchase than consumers are used to making, and that consequently, homeowners must be educated in order to make the kind of informed buying decision they won't later regret.

“If someone goes in and talks [to the homeowner] for 25 minutes, [the homeowners] have no clue what they're buying,” says David Braymiller, president of Braymiller Builders, a home improvement company in Hamburg, N.Y. But getting that time to spend with homeowners is becoming more difficult. “It's easy to give people a basic product for a low price with fast in- and-out,” Talmon says. “It's hard selling the Rolls Royce that requires a two- or three-hour presentation so people know what they're getting for their money. That takes tremendous effort and training.”

## SEA CHANGE?

Arguments rage back and forth, becoming ever more acrimonious as low-price companies gather more dealers — by the end of the year they'll have close to 500, if goals pan out — and sell more windows. Some within their ranks envision a scenario in which low-price companies share the market with “boutique” window replacement companies, selling upscale products made of composites, wood, or fiberglass. Those now selling the middle — that is, vinyl windows at \$450 to \$750 per unit — would be displaced.

Mike Roncato, vice president of sales for Sunrise Windows, a Michigan vinyl window manufacturer, believes that low-price companies are “taking market share away from the smaller contractor” rather than the home improvement company that invests in lead generation and sales training. But others say it's not only the small contractor getting socked; all kinds of window companies are.

“We believe they're a factor, that they're taking market share,” says Ken Moeslein, owner of Legacy Remodeling, in Pittsburgh, which sells about 4,000 windows a year at an average price of about \$600 and whose window sales last year were up in the double digits. “Their message is purely price. Ours is quality, value, energy efficiency, and all the benefits you'd hope for in a window company.”

Can low-price companies own a significant share of the window replacement market? Executives at Window World and Window Depot USA absolutely believe so. They cite The Home Depot and especially Wal-Mart as their business model. “We call ourselves the Home Depot of the window business, the Wal-Mart of the window business,” says Whitworth. “We think we do it better than everybody else.”

Both of those operations came to dominate home improvement retailing and discount department store retailing, respectively, by driving down price and steadily multiplying store locations.

The community of manufacturers, distributors, and contractors is many times divided over the ultimate outcome of today's window wars. “Lowball pricing is not a new concept,” says Gorell, who has spent many years in the window business. “We saw it with aluminum windows and with vinyl. And when vinyl started out it was all lowball competing against aluminum.”

Clearly, there are lots of variables and caveats that stand in the way. For one thing, what happens when more than one low-price company comes into a market, as is now increasingly the case? Is there room for two or three companies selling windows for less than \$200? Or does it become what one competitor calls “a race to the bottom”?

And is there a finite number of people interested in low-price products? Do such buyers make up, say, 20% of the potential window replacement market? Thirty percent?

Executives from low-price companies concede that there are homeowners who aren't their customers, which is

why all three of the biggest have introduced additional products — siding and window treatments, to name just two — that their dealers can cross-merchandise to past customers. And traditional window replacement companies will get better at responding to the new reality created by this new competition — because they will be forced to.

“You have to build a presentation that clearly differentiates your [product] from a generic basic vinyl window,” Talmon says. “You've got to differentiate your salesperson as an individual, your company, things about your product, your installation, your service, then all the intangibles. If you can't do that, you're absolutely dead.”

That's a point that executives at low-price companies may be willing to concede today, when not too long ago — when low-price was “a movement,” in Venable's words — they wouldn't have.

“I think there will always be both [ourselves and traditional window dealers] out there,” Whitworth says. “We are not a threat to the traditional window business. We will continue to grow and we will continue to capture more market share, and those mediocre companies doing it the old Tin Man way will go out of business. Those doing a good job of servicing their customer, they will continue to do well.”

## **WOULD THAT BE À LA CARTE?**

This past April, a small advertisement appeared in *The Morning Call*, of Allentown, Pa. “Don't be FOOLED by \$189 INSTALLED window advertisements!” ran the headline.

The 4-by-6-inch ad spelled out “the important and relevant issues” when it comes to buying vinyl replacement windows. These include the fact that buying windows “à la carte” forces the homeowner to pay extra for low-E coating, argon gas, insulation, sealing, exterior capping, and removal of debris. The ad read: “These services are bundled in our standard window price so the price we quote you will be the price charged at the end of the job, no surprises!”

The ad, by Alan Kunsman Roofing, in Freemansburg, Pa., takes clear aim at low-price window companies such as Window World's Allentown dealership.

Company owner Kunsman says that such organizations use low price “to get a foot in the door,” then run up the cost with extras. He told **REPLACEMENT CONTRACTOR** that he is skeptical about the pricing advertised by these companies, and flatly maintains that “you can't put a window in today for \$275.”

## **ALL THE BEST**

The Window World dealership has been in business six years, and its billboard on Route 22, the principle highway running through the area to the Pennsylvania Turnpike, is impossible to miss. It's also the only window replacement billboard on that much-traveled thoroughfare.

“Window World, Clear Choice, we got 'em all here,” says Jim Lett, owner of A.B.E. Doors & Windows, in Allentown. But Lett, a one-time window installer who founded A.B.E. 30 years ago and last year posted sales of \$5 million, appears unfazed by the low-price window companies now competing in the Lehigh Valley.

Roughly a third of A.B.E.'s business involves installing windows, a third is entry doors, a third garage doors. All its installers are employees, four are AAMA-certified. Thus, the company is able to provide extremely high levels of customer service, as indicated in the customer feedback forms stacked at the edge of Lett's desk.

“That's a big part of how we differentiate,” says general manager Marc Rapschak. “We have the best-quality

product, the best-trained staff, and customer satisfaction is our major goal.” In addition, he says, all except one of the company's salesmen were once installers themselves.

A typical price per opening is around \$650. Sales have steadily grown, and are up this year. In 2007 referrals and previous customers generated 47% of A.B.E.'s business — a testament to longevity and customer service.

Rapschak says that A.B.E. sales reps don't often come up against low-price competitors when bidding a job. When they do, reps emphasize “our technicians and their training, the manufacturer we partner with [Gorell Windows], their Energy Star company-of-the-year award, and the awards we've won.” When the company surveyed past customers to find out why they'd purchased from A.B.E., fewer than 5% named price as the reason.

## **NEW KID ON THE BLOCK**

Meanwhile, near the airport, the phone is ringing at Clear Choice Lehigh Valley, the new kid on the window replacement block.

Joe Andrews once operated an installation business running four crews for two local window companies, among them Window World of Lehigh Valley. He and his wife, Lynn, opened their Clear Choice dealer-ship in March 2007.

With his knowledge of the business and 25 years experience as an installer, their numbers began to grow. They now claim to be installing 500 windows per month.

The Andrews credit much of their success to support from corporate. “It's been awesome,” Joe says, adding that low price is an extremely effective way to attract new customers. “We take the basic window to the homeowner and design it to their needs,” he explains; the buying power of Clear Choice drives down unit cost.

Joe says that he now sees more “little guys,” that is, one-truck operators, offering installed windows at below \$300.

Pushing the ad from The Morning Call across the table, his wife, Lynn, shakes her head. “You either love us or you don't,” she says. —*J.C.*

## **WINDOW WARS**

Low-price window companies, such as Window World, are expanding their dealer networks. And, many say, changing the nature of the window replacement business.

When it comes to the window replacement business, Portsmouth, N.H., contractor Ted Castonguay believes he's seen it all. “Two- leggers, one-call close, discounts, multiple drops. I feel like I've been on both sides of the fence.”

Three years ago the Portsmouth contractor sold fiberglass windows for \$700 plus per opening on sales appointments lasting two to three hours. Today his average per unit retail price for vinyl windows is likely to be in the \$300 range and he's in and out of the house in 45 minutes. Yet Castonguay says he closes on 66% of appointments, compared with 22% in the days of \$700-plus per opening. Sales at his company last year were up 20%. He credits all that to a business decision he made in 2005, when he became affiliated with Window World. “It's been a paradigm shift,” he says.

**Window World** is the largest among low- price window replacement retailers, and also, president and CEO

Todd Whitworth points out, the pioneer. Starting with a single store in rural North Carolina in 1995, Window World set out to make itself the low-price leader in the replacement market, with an advertised (and trademarked) price of (currently) \$189 per installed vinyl window.

Demand was such that founder Leon Whitworth decided to license the system. Last year, Window World dealers installed 1,092,000 windows; more than any other U.S. window replacement company. This year Whitworth expects to up that by 25%. In three years, he says, the company will be selling 2 million units.

Since 2002, operations such as Clear Choice, Window Depot USA, and Windows by Bob have joined Window World in the low-price arena. All aim to be the low-price leader. All use the low-cost, low-overhead model that made Window World effective.

If you figure that roughly 27.3 million vinyl window replacement units were installed last year in the U.S. — the figure given by the American Architectural Manufacturers Association, a vendor group — then the amount of product sold through all dealers affiliated with low-price companies amounts to about 5% of the market. Five percent may not seem like much, but that's starting from zero. Moreover, that 5% is growing at a time when consumers aren't buying as many windows and many window replacement companies are in revenue retreat.

Last year, for instance, Greg Cassidy, owner of Clear Choice of Gainesville, Ga., says that his sales were up 40%. Pat Moran, who operates Window World dealerships in Pittsburgh and Youngstown, Ohio, saw combined sales climb 52.5% last year. Other low-price dealers report similar double-digit increases. Window World itself has had a 40% compounded growth rate in the last three years.

## **OLD HABITS**

Initially, many traditional window replacement companies simply assumed, or hoped, that none of these low-price operations would survive in the market. That they're not only here to stay but are growing is a source of concern or annoyance for many.

Low-price companies such as Window World don't market, sell, or operate like window replacement companies traditionally have. Window World and its brethren freely dispense prices, advertise price, and operate on the slimmest of profit margins, gambling that their reward will be volume. It often is. In doing so, they've created an alternative business model. Proving that they can move product, they've forced a number of window manufacturers to reconsider their strategic route to the future.

Low-price window replacement companies have also changed consumer perceptions of the product and the sales process. For instance, when consumers see vinyl windows advertised at \$185 or \$189, they balk at paying any company two or three times that much.

They've also changed the way consumers expect to be sold. Where many window replacement companies typically block out a two-and-a-half to three-hour time slot to measure openings and demonstrate their product, Window World, et al., spend an hour or less in the house. Working off a non-negotiable price sheet, they get swiftly to the point — cost — avoiding time-tested multistep sales methodologies that use warm-up, trial closes, etc. Time-starved homeowners wonder why they should buy any other way. The effect on traditional companies — a “slow, steady, growing dynamic,” observes Joe Talmon, vice president of Larmco Windows, in Columbus, Ohio — can be canceled or broken demos and more frequent no-sales.

“I took a call from a customer who said: ‘Your guy was here two and a half hours. We had another guy who was here 30 minutes, tops. Do you think that's a good way to sell windows?’” Talmon recalls. “I said: ‘Well, did you feel like you learned something?’”

Such disruptions to traditional methods of in-home sales aren't confined to Ohio. As the low-price companies have expanded their dealer networks to just about everywhere but the West Coast, traditional window replacement companies find themselves squaring off against the newbies on price, quality, marketing tactics, sales techniques. (See "Would That Be à la Carte?" end of article.)

Some have developed their own arsenal of criticisms to combat low-price competitors at point-of-sale. The most frequently launched barb is that the low-price guys use bait-and-switch advertising to get a foot in the door, then upsell gullible homeowners.

Another complaint is that the low-price companies use "bottom feeder" subcontractors who will install the product in half or a third of the normal time because they're being paid half or a third of market rate. And another: Low-price companies don't stand behind their product because, should there be a problem, they don't make enough profit to be able to afford to service it once it's installed.

And lastly, there is the question they also often raise in homeowners' living rooms: How could anyone sell a window, at retail, and install it, for less than what manufacturers typically charge dealers or distributors on a per-unit basis?

## **TWILIGHT ZONE**

These are potent, often persuasive, criticisms. Of course the push-back from low-price dealers is no less fierce. Traditional window replacement companies, they say, charge three times as much for a product that is the same, or at least similar. Traditional players don't include cost in their ads because "who would be foolish enough to do that?" says Window Depot USA founder and president Jim Venable.

Traditional window replacement companies waste consumers' time with lengthy appointments designed to set homeowners up for a whopping big price at the close, then employ a series of discounts designed to create the illusion of a special deal and thus prompt an immediate buying decision. More and more homeowners, they say, see right through it. Traditional replacement companies, say their low-price challengers, are stuck in a sales and marketing time warp, a blue suede twilight zone that will ultimately doom them as more and more consumers become aware of window pricing and as they share their experiences on the Internet.

"I would say," says Clear Choice co-president Matthew Gardner, who also owns two of the company's dealerships, "they're having a hard time breaking bad habits." All this, say executives at the low-price companies and their dealers, is what accounts for their success.

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