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BY KRISTIN SMITH-ELY

2019 GREEN INDUSTRY OUTLOOK

Find out what direction the industry is headed in and if your business is following the right course.

Welcome to *Irrigation & Green Industry*'s 2019 Green Industry Outlook. This report looks different from the status reports you have seen from us before. We wanted to make absolutely sure that the information we are sharing with you is an accurate and true representation of the current state of affairs for landscape companies, so we went directly to the source for the answers: you.

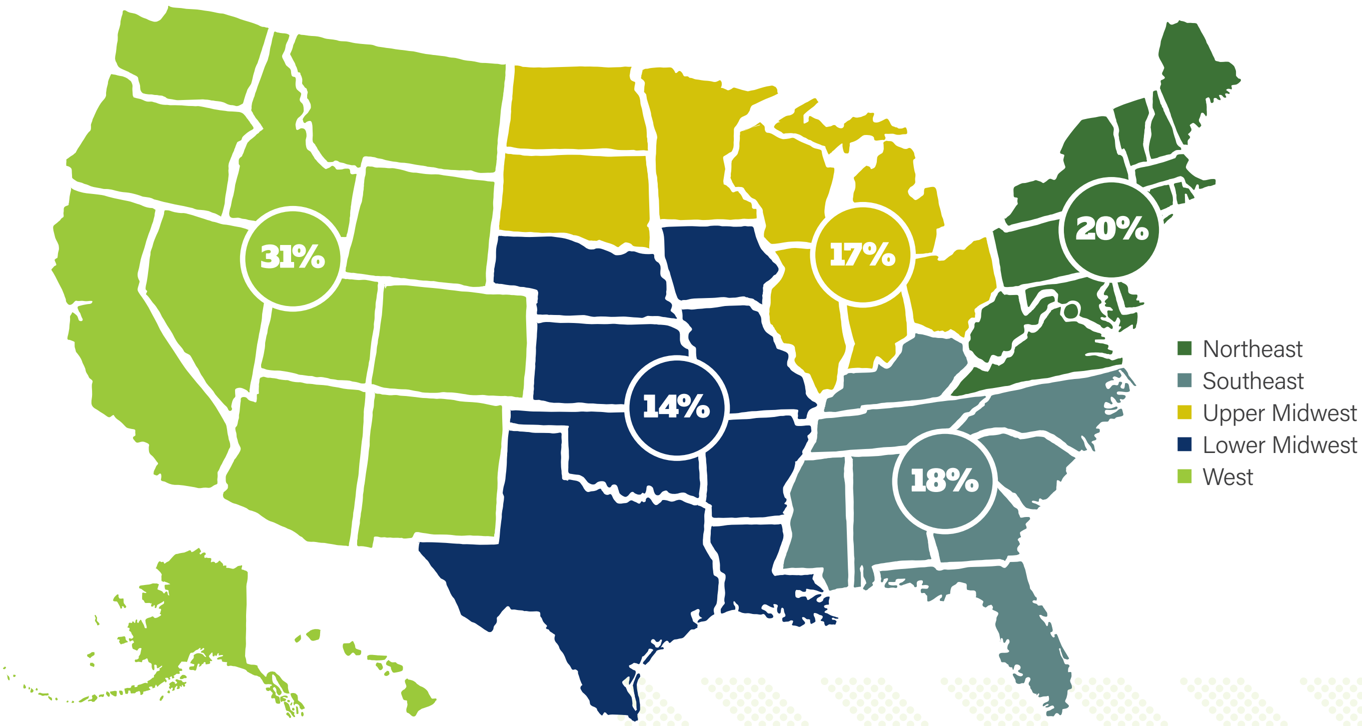
During November 2018, we surveyed the segment of our readers who are landscape contractors. We wanted to hear from you about your business size, mix of services, revenues, challenges and growth opportunities. And we were pleased with the number of you who took the time to take our Green Industry Outlook survey.

Thank you to all 437 of you who took our survey. It's because of you that we are able to publish the results with confidence and portray a true reflection of the industry. We are planning to conduct this survey on an annual basis, so if you did not respond to this one, you will get another opportunity to complete one later in the year.

Beyond being interesting for the reader to see how the industry responded, I hope you will take the time to compare the results to your own business. There is useful information contained in this report that you can use to gauge the market and compare your company.

Have you ever wondered how your company compares with your peers? Do you face similar problems and opportunities? Where are they investing and seeing growth in 2019? Are you keeping up with the competition? Answers to these questions and more are revealed.

AN EQUAL REPRESENTATION



Is your business seasonal or year-round?

18% SEASONAL

82% YEAR ROUND

Diving into the demographics

Our survey respondents hailed from all over the United States. An almost equal number of respondents come from the East, West and Central parts of the country. The vast majority of those who responded consider themselves executives at the company they work for, with another 14 percent that are managers or supervisors.

They also have a lot of experience in the landscape industry, with a whopping 73 percent reporting they have worked in the landscaping industry for more than 20 years. Yes, that ages some of our respondents. Sixty-six percent responded they are 50 or older. It's a sign that attracting more and younger people into careers in the landscaping industry will be critical in the coming years.

We know from previous reports in *Irrigation & Green Industry* (see the August 2018 article "Young and Driven") that young entrepreneurs, some as young as 13, are out there already realizing the earning potential there is. We would welcome a few more.

Most of the people responding to the survey say "landscape contractor – installation" is their primary business (32 percent), with lawn maintenance company coming in close second (30 percent).

These contractors offer a host of other services in addition to their primary business, which you can see in blue on the next page.

These businesses primarily operate year-round (82 percent), and more than half have been in business for over 20 years (58 percent). They come from businesses that are family owned (63 percent) or privately held (32 percent). A few (4 percent) say they work with government while less than 1 percent are publicly traded. They service a variety of property types.

What types of properties do you service?

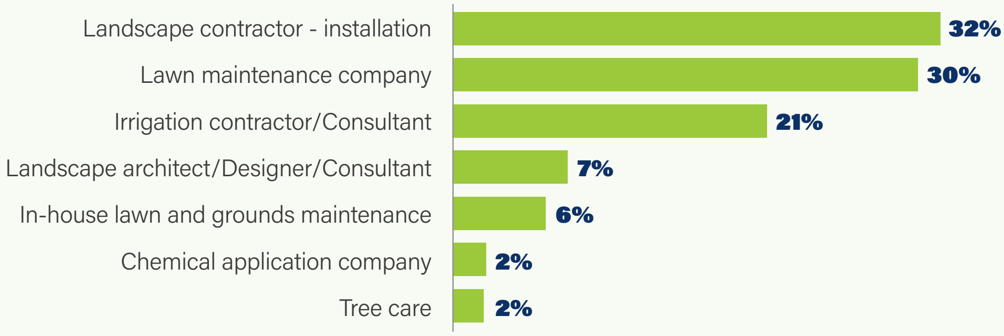
303 Residential

283 Commercial

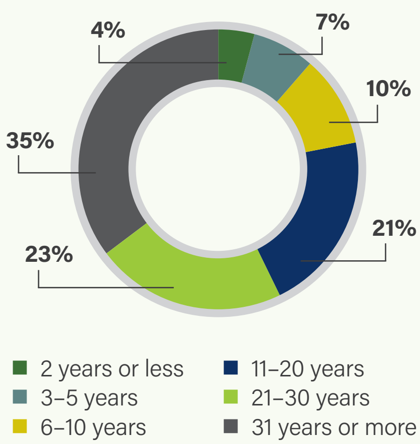
148 Municipal/Parks/Sports field

56 Other

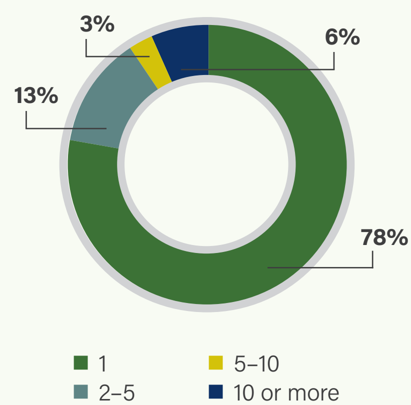
What is your company/organization's primary business?



How long has your company been in business?



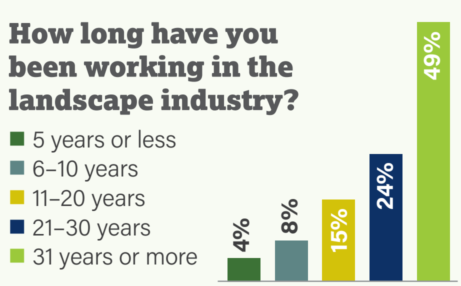
How many locations does your company have?



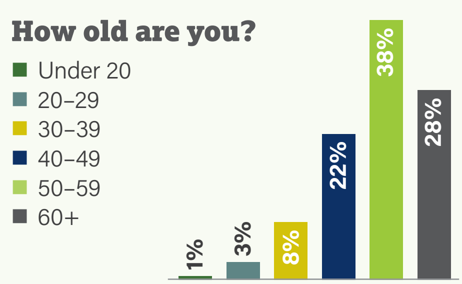
AN EXPERIENCED GROUP OF RESPONDENTS

Which of the following best describes your title?	
Executive Owner, Partner, CEO, President, General Manager	**75%**
Manager/Supervisor Architect, Director, Superintendent, Foreman Landscape Grounds Manager, Consultant	**14%**
Specialist Arborist, Agronomist, Forester, Horticulturist, Instructor, Water Manager, Researcher, Engineer	**4%**
Sales/Marketing/PR/Advertising	**2%**
Service crew member	**1%**
Other	**4%**

How long have you been working in the landscape industry?



How old are you?



WHICH OF THE FOLLOWING SERVICES DOES YOUR COMPANY PROVIDE?

60% Landscape design and installation

60% Irrigation maintenance

58% Lawn maintenance

57% Turf and landscape renovation

56% Irrigation design and installation

51% Drainage

50% Landscape lighting

47% Hardscaping

42% Tree and ornamental care

40% Disease, insect and weed control

38% Chemical application

37% Water features

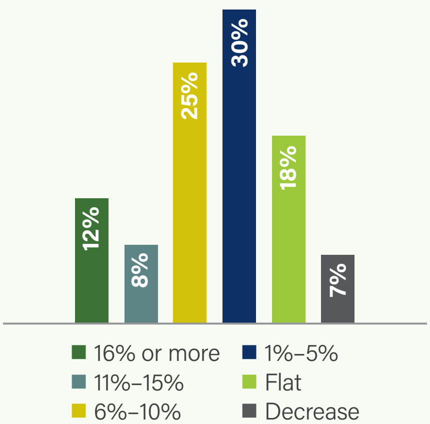
30% Snow/ice management

28% Environmentally friendly services

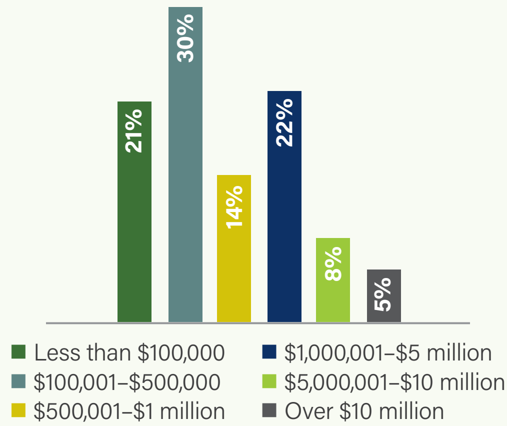
20% Hydroseeding/ erosion control

16% Holiday lighting

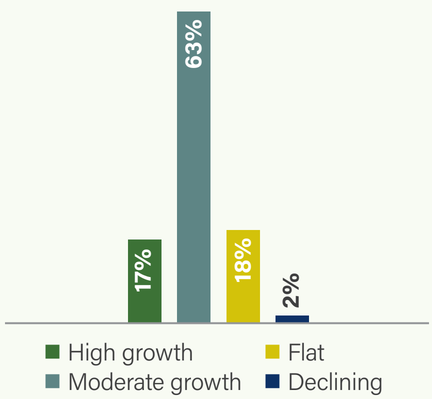
Compared to 2017, how much do you expect your business has grown in 2018?



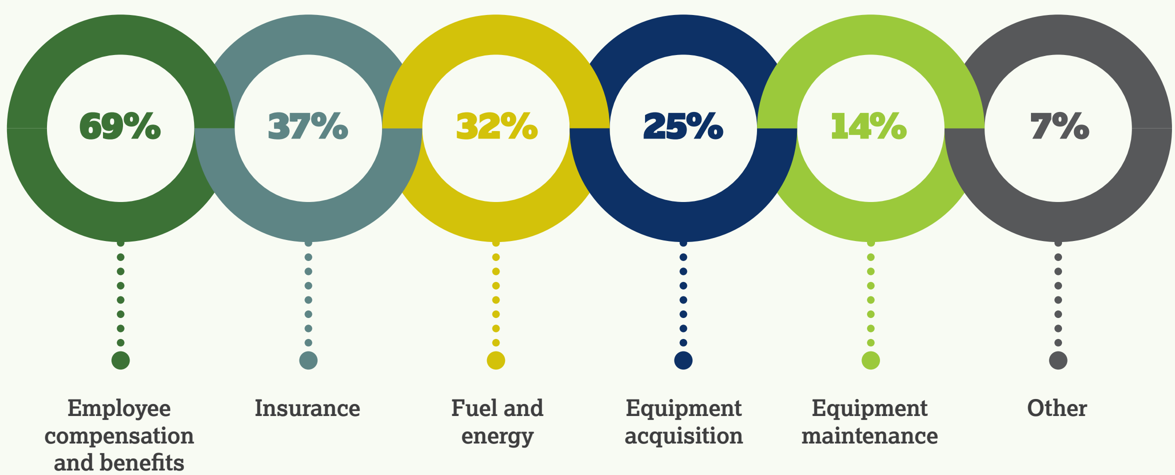
What is your company's projected gross revenue for 2018?



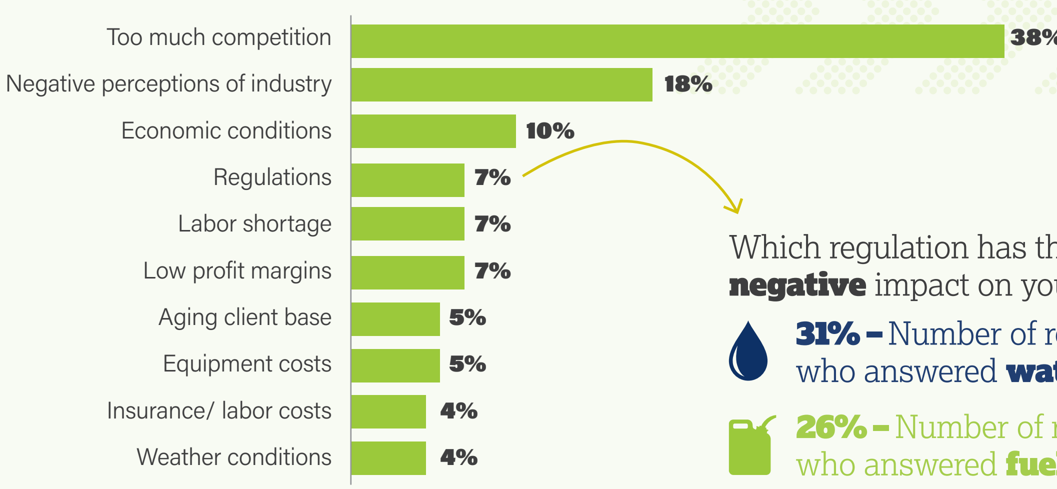
What is the expected growth in demand for your company's services in 2019?



WHAT ARE YOUR COMPANY'S LARGEST EXPENSES?



What barriers most impact your business growth?



Which regulation has the most **negative** impact on your busi-

31% – Number of respondents who answered **water**.

26% – Number of respondents who answered **fuel**.

Let the good times roll

When we surveyed contractors at the end of 2018, their official year-end revenues had not yet been calculated. But based on their estimates, three quarters of those who responded anticipated growth in 2018 over the previous year. Most were in the 1 to 5 percent range (30 percent) or the 6 to 10 percent range (25 percent) of growth. The majority of the rest of the respondents estimated flat growth. Perhaps a good sign for the industry is that the smallest response rate (7 percent) reported they thought business had actually contracted from 2017.

More than half (65 percent) of contractors responding to the survey have revenues under $1 million. Those whose revenues are between $100,001 and $500,000 make up the largest category of respondents (30 percent). Still about one third of those responding have projected 2018 revenues over $1 million in 2018. Five percent anticipate revenues of over $10 million.

And the good news is, based on the responses, these contractors expect to see business continue to improve in 2019. Sixty-three percent said they expected moderate growth in demand for their company's services in 2019, while another 17 percent expect high growth in the coming year. Still another 18 percent say growth will be flat for business in 2019, while only 2 percent see it declining. Every indication is that the industry is optimistic about business and the majority are experiencing growth.

But with every opportunity comes its challenges. These survey takers were asked to rank what barriers most impact their business. The number one answer was too much competition. A little more surprising was that the second largest barrier that came out of the survey is negative perceptions of the industry (18 percent). It beat out economic conditions, regulations, labor shortage and low profit margins as a barrier to business growth. This sends a strong message to the industry of the importance of employee training and providing exceptional customer service. Don't be that company whose lack of attention to detail or poor response time ends up reflecting poorly on the whole industry.

While only 7 percent of respondents say regulations impact growth the most, we asked them to be more specific about what regulations were causing them the most trouble. Thirty-one percent said water regulations, while 26 percent said regulations around fuel were the most detrimental. We took a closer look at where these respondents were located and those who said water were primarily irrigation-focused companies located in the West, South Central and West Central regions of the U.S. These drought-prone areas have been no stranger to regulations restricting water use as a way to conserve water. Fuel ranked higher among lawn maintenance companies with the Southeast, Mid-Atlantic and East Central standing out as the most troubled areas.

It came as no surprise that when these respondents were asked to pick their two highest expenses that employee compensation and benefits was the most selected response with 69 percent of respondents selecting it in their top two. Insurance (37 percent) and fuel and energy (32 percent), were the second and third most popular choices. Equipment acquisition was fourth on the list (25 percent), followed by equipment maintenance. When cross-referenced by area of the country, insurance/labor costs were disproportionately higher in the Southeast, West, East Central and Mid-Atlantic.

Every indication is that the industry is optimistic about business and the majority are experiencing growth.

Labor shortages continue

When two-thirds of an industry responds that finding qualified workers is a problem, it signifies a major issue.

A recurring theme in *Irrigation & Green Industry* throughout 2018 was the labor shortage in the industry. This has been compounded by tighter restrictions on H-2B worker hiring practices being implemented by the Department of Labor and Department of Homeland Security.

It's no wonder that 66 percent of respondents answered "no" when asked, "Does your region offer enough qualified workers to meet your company's needs?"

When two-thirds of an industry responds that finding qualified workers is a problem, it signifies a major issue. Industry associations, including the National Association of Landscape Professionals and the Irrigation Association have recognized this and have implemented programs aimed at attracting young people into the irrigation and green industry.

The good news is the survey provided some statistics on pay that are very marketable to young workers. In fact, 87 percent of those who responded say they pay their crew workers at least 6 percent above the minimum wage. What's better is that more than half responded they pay 11 percent or more than the minimum wage (64 percent). Many of the higher paying landscape companies are smaller in size and are located primarily in the Southeast, West and Mid-Atlantic regions.

The landscape companies who are represented in the survey tend to be on the smaller side of the spectrum. Most of the firms who responded to the survey employed 10 or less workers during their peak seasons (60 percent). Only 12 percent employed more than 50 people, with just 5 percent having 101 employees or greater. Perhaps these smaller companies wouldn't be so small if they could find workers.

One respondent commented that his biggest challenge was "having people with the knowledge or desire to obtain knowledge so I do not have to be everywhere." Those types of comments were an ongoing theme for survey takers when asked that open-ended question. "No labor." "Not enough labor." "Labor." "Difficulty getting our H-2B workers here due to the cap." "Labor. There is a big shortage of people willing to do manual labor in western New York." This was just a sample of what was said.

While H-2B has received a lot of attention lately, it turns out a small percentage of respondents have ever participated in the program. According to the survey, only 12 percent have ever used it, with only 5 percent using it in 2018. With the difficulties those who have used it experienced this year, it's no wonder the percentage is so low and as the program becomes more strict, the participation rate will likely drop off even further.

Spanish speaking workers are quite common for the companies who responded to the survey. More than half (54 percent) are employing at least some employees who consider Spanish their primary language. Nearly 20 percent of the companies that responded say more than half of their labor force is Spanish-speaking. The regions with the highest percentage of Spanish-speaking workers are located in the West and South Central U.S.

It just might be time to brush up on those Spanish language skills.

On average, do you pay your crew members minimum wage or a higher amount?

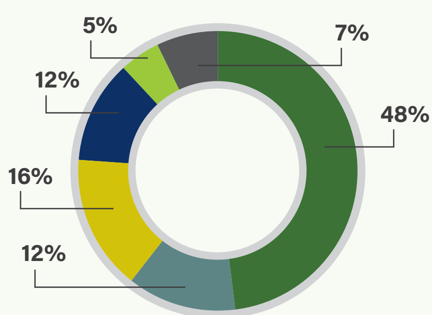
4% Minimum wage

9% 1%–5% more

23% 6%–10% more

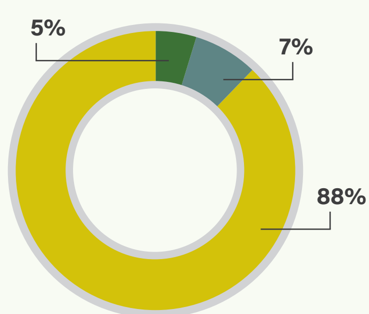
64% 11% or more

How many full-time employees does your company employ at peak season?



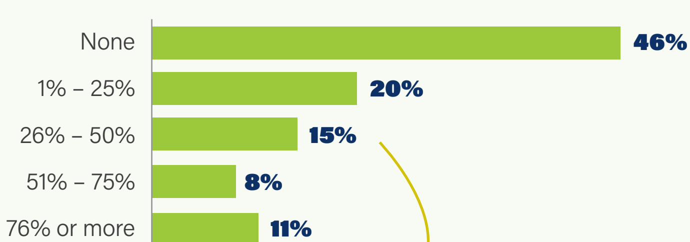
- 1–5
- 6–10
- 11–25
- 26–50
- 51–100
- 101+

Does your company participate in the H-2B nonimmigrant visa program?



- We used H-2B labor in 2018
- We have previously used H-2B labor but did not use it in 2018
- We have never participated in H-2B

What percentage of your employees speak Spanish as their first language?



54%
Total percentage of respondents who employ workers who speak Spanish as their first language.

Does your region offer enough qualified workers to meet your company's needs?

No – 66%

Yes – 34%

WHAT YOU HAD TO SAY ABOUT YOUR BIGGEST CHALLENGES IN 2019...

"Two things stand out. One is finding reliable, consistent labor, and two is reducing fuel costs with more efficient trucks and equipment."

"Low-ball pricing. Other companies not knowing their true cost/profit margin."

"Definitely a labor shortage. I am also concerned about increasing material and equipment costs due to tariffs and lack of labor causing the market to swing downward."

"Labor, labor, labor, labor. I could be a millionaire if I could just get guys to show up to work on time every day and stay sober until the work day is over."

"Labor shortages. Our current employees are getting older, and there are not enough young people to fill their roles."

"Low unemployment rates driving up compensation necessary to be competitive. Increasing number of startups in the industry."

52%
Trucks

49%
Hand-held power equipment

38%
Mowers

34%
Construction equipment

33%
Tires

31%
Business hardware

26%
Battery-powered equipment

23%
Uniforms

21%
Design software

20%
Business management software

12%
Drones

10%
GPS

8%
Hiring a business consultant

7%
Tree equipment

7%
Financial services

6%
Engines

6%
Chippers/shredders

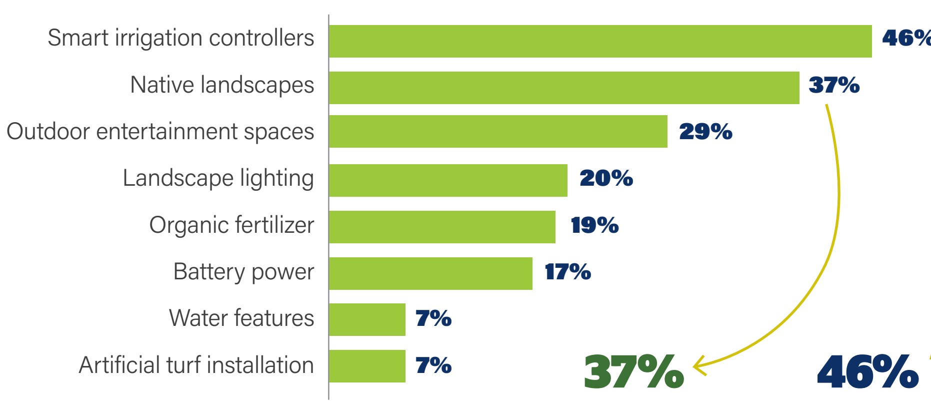
5%
Remote-operated equipment

In 2019, which equipment and/or services are you considering investing in?

Which of the following services are you considering **expanding or adding** in 2019?	
Landscape lighting	**27%**
Landscape design and installation	**25%**
Irrigation maintenance	**23%**
Environmentally friendly services	**20%**
Hardscaping	**20%**
Lawn maintenance	**19%**
Irrigation design and installation	**19%**
Drainage	**17%**
Turf and landscape renovation	**15%**
Water features	**14%**
Holiday lighting	**14%**
Tree and ornamental care	**13%**
Disease, insect and weed control	**13%**
Chemical application	**13%**
Snow/ice management	**10%**
Hydroseeding/erosion control	**7%**

Which of the following services are you considering **reducing or eliminating** in 2019?	
Snow/ice management	**16%**
Lawn maintenance	**15%**
Chemical application	**14%**
Water features	**14%**
Holiday lighting	**12%**
Hydroseeding/erosion control	**11%**
Disease, insect and weed control	**10%**
Hardscaping	**9%**
Tree and ornamental care	**7%**
Drainage	**6%**
Landscape design and installation	**6%**
Irrigation maintenance	**5%**
Irrigation design and installation	**4%**
Landscape lighting	**4%**
Turf and landscape renovation	**4%**
Environmentally friendly services	**3%**

What trends do you expect to gain the most traction with your clients in 2019?



37%
Percentage of respondents who expect the **native landscapes** trend to grow in 2019.

46%
Percentage of respondents who expect the **smart irrigation controllers** trend to grow in 2019.

Do you use GPS/ navigation software on your trucks?

61% NO

39% YES

Opportunity is knocking

There is a lot of good news going on in the industry as evidenced by the growth contractors are anticipating in 2019. We drilled things down even further to find out where contractors plan to invest, what services they plan to add or remove and what equipment and services they plan on spending their dollars on in 2019. Is your business in line with what the rest of the industry is seeing?

For starters, respondents appear to see an opportunity in the market to enter or expand into landscape lighting more than any other service. Twenty-seven percent say they are considering it. Landscape design and installation comes in close second at 25 percent and irrigation maintenance finished third.

Environmentally friendly services, hardscaping, lawn maintenance and irrigation design and installation are all within close reach of each other in terms of where companies see opportunities for growth.

But contractors are also considering reducing or eliminating services. Topping that list is snow/ice management with 16 percent of contractors saying they would consider that move. Other areas where a reduction or elimination are being contemplated most heavily are lawn maintenance (15 percent); chemical application (14 percent); and water features (14 percent).

These contractors are seeing some trends in the types of projects they are taking for their clients as evidenced by some pretty clear front-runners. When asked to select what trends are expected to gain the most traction with their clients in 2019, nearly half of them (46 percent) answered smart irrigation controllers. This was followed by native landscapes (37 percent) and outdoor entertainment spaces (29 percent). At the bottom of the list was water features and artificial turf installation.

With all these services landscape businesses are considering, equipment and supplies will surely be needed. More than half said they plan to invest in trucks in 2019. Other popular areas of equipment acquisition include hand-held power equipment (49 percent); mowers (38 percent) and construction equipment (34 percent). As business grows in a tight labor market, it is clear equipment investment will be critical to helping these businesses achieve their growth goals.

They also will be purchasing supplies for their clients. The most popular item they say they will be buying in 2019 is irrigation equipment/controllers. The majority of contractors also will be buying nursery/flower items, soils and mulches, sod, grass seed, chemicals, hardscape supplies and landscape lighting. What a great time it is to be in this industry!

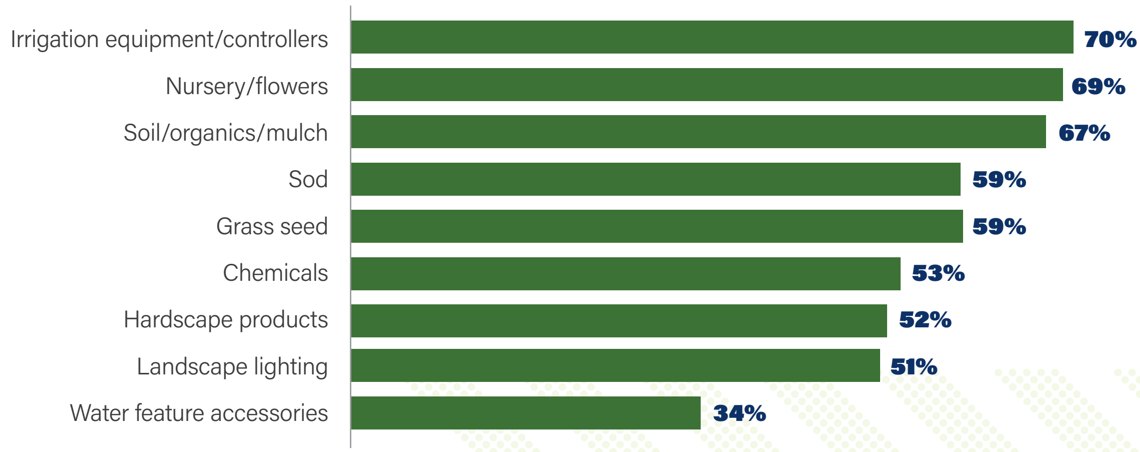
When asked what is the **biggest challenge** your business faces in 2019, **54%** of respondents listed **labor**.

The area of service expecting the **highest growth** in 2019 is **landscape lighting**.

Which products will you purchase for your clients over the next 12 months?

70%

Percentage of respondents who plan to purchase **irrigation equipment** or **controllers.**



A SPECIAL THANKS

Asking people to take time out of their busy schedules to take an online survey is no easy feat. We want to thank Stihl for giving people an added incentive to respond. The Germany-based outdoor power equipment company with U.S. headquarters in Virginia Beach, Virginia, gave away one of its FSA 130R lightweight cordless brush cutters with AP 300 battery, charger and accessory bag to one lucky respondent who entered to win. Congratulations to the winner, Eldon Hoover, landscape manager at Weaver's Landscape Co., in Shippensburg, Pennsylvania.