Lawn care industry grows 5.2% in second year of Clinton administration

Revenues
State of the LAWN CARE INDUSTRY

Ten percent of top companies do 57% of the business, but small businesses (under $1 million annual revenues) growing at a 15% clip.

■ What LANDSCAPE MANAGEMENT magazine defines as the "lawn care industry" continued to show slow, steady growth in 1994, the second year of the Bill Clinton administration. While not as fast as the industry's growth in the late 1970s and early 1980s, it remains impressive.

Revenues attributed to lawn care sales by LM readers grew from $2.50 billion in 1993 to $2.63 billion in 1994. Most of the growth this year came from increased fertilizer and chemical applications to residential lawns, contrasted to last year's growth in mowing/maintenance services, the survey notes.

The survey is based on 201 responses to 966 questionnaires mailed to a cross-section of the 7,366 LM readers who classify themselves as "lawn care companies."

Revenues in the lawn care industry from mowing/maintenance operations declined slightly from $800 million to $750 million. But that was more than offset by revenues from fertilizer and chemical applications ("chemical lawn care"), which grew to $1.88 billion from $1.70 billion.

THE LAWN CARE INDUSTRY; WHERE ARE THE REVENUES?

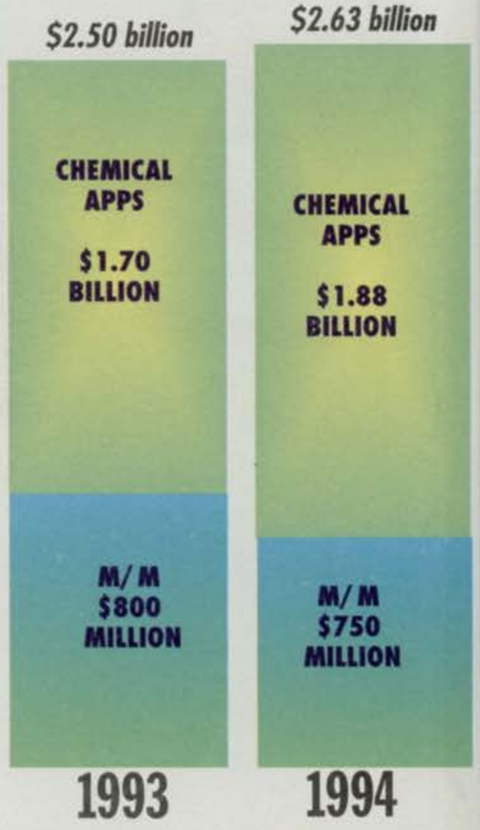
CHEMICAL LAWN CARE

Company revenues	Total companies	Total Industry revenues
$0	1878	$0
$1–$49,999	2026	$50.6M
$50,000–$99,999	1105	$82.9 M
$100,000–$199,999	479	$71.8M
$200,000–$499,999	847	$296.5M
$500,000–$999,999	405	$303.7M
$1,000,000 or more	350	$1,073.6M
		$1.88 BILLION

MOWING/MAINTENANCE

Company revenues	Total companies	Total Industry revenues
$0	2320	$0
$1–$49,999	2099	$52.5M
$50,000–$99,999	1436	$107.7 M
$100,000–$199,999	663	$99.5M
$200,000–$499,999	515	$180.3M
$500,000–$999,999	184	$138.0M
$1,000,000 or more	147	$176.4M
		$0.75 BILLION

TOTAL LAWN CARE INDUSTRY REVENUES



Most surprising was a growth in the application of fertilizer/herbicide combinations. According to the 1993 survey, LM lawn care readers purchased $20.8 million worth of such products; in 1994, purchases mushroomed to $91.9 million. Accordingly (and not surprisingly), purchases of straight fertilizers declined from $135.8 million to $99.6 million.

Overall, the "buying power" of LM's lawn care readers increased by 15.5 percent from 1993 to 1994. Last season, they bought almost $390 million worth of fertilizers, pesticides, maintenance equipment, turfseed and sod. This season, they purchased almost $450 million in the same product categories.

Purchases of pre- and post-emergence herbicides, turf insecticides and turf fungicides also showed strong gains: $82.7 million total in 1993 compared to $117.7 million total in 1994.

The backbone of the industry remains

continued on page 10

PURCHASING POWER OF LM'S LAWN CARE READERS

PRODUCT CATEGORY	% OF SAMPLE, '94	%OF SAMPLE, '93	MEDIAN DOLLARS	MEAN DOLLARS	PROJECTED TO CIRC. '93	PROJECTED TO CIRC. '94	CHANGE '93 TO '94
Soil aerators	28.1	—	$2,000	$1,304	—	$2,699,500	—
Fert./herb. combos	57.3	31.3	$3,750	$21,776	$20,845,000	$91,915,000	+
Domestic pick-ups	48.3	51.6	$14,000	$17,463	$65,748,500	$62,132,500	-
Dry-app. fertilizer	69.7	84.9	$3,000	$14,183	$92,486,500	$72,817,500	-
Ornamental fert.	42.1	43.2	$1,000	$2,965	$8,613,500	$9,194,500	+
Liquid-app. fertlizer	27.0	34.9	$6,000	$13,496	$43,255,500	$26,844,500	-
Post-emerg. herbicides	59.6	62.5	$1,500	$5,877	$23,269,000	$25,799,000	+
Pre-emerg. herbicides	59.6	63.5	$2,000	$7,201	$21,420,500	$31,613,000	+
Small mowers	25.3	26.6	$2,350	$2,142	$6,297,000	$3,992,500	-
Mid-size mowers	25.8	21.4	$3,650	$5,211	$9,264,000	$9,900,000	+
Large mowers	16.3	15.1	$5,000	$7,931	$9,170,500	$9,525,000	+
Turfgrass Sod	21.3	26.6	$1,000	$2,421	$5,246,500	$3,798,500	-
Irrigation/ sprinklers	15.2	21.4	$3,250	$10,615	$18,337,500	$11,889,500	-
Compact tractors	15.2	17.2	$8,000	$12,655	$10,385,000	$14,174,000	+
Turf fungicides	43.3	36.6	$900	$5,188	$10,957,000	$16,545,500	+
Turf insecticides	46.1	58.3	$2,000	$12,898	$27,058,000	$43,800,000	+
Turfseed	59.0	57.3	$1,000	$3255	$15,478,500	$14,144,500	-
TOTALS					**$387.9 million**	**$447.9 million**	**+15.5%**

continued from page 9
the small, independent operator. The statistics show that independent operators out-number branches and franchisees by about seven to one. Branches amount to just 5.5 percent of LM's lawn care readership and franchisors/franchisees are 7.5 percent. According to our extrapolations, companies with annual revenues of less than $1 million (which account for 90 percent of the companies in the industry) account for 43 percent of total industry revenues. Taking the extrapolations a bit further, the survey identifies about 350 companies in the U.S. with revenues of at least $1 million.

Though overall industry growth was 5.2 percent from 1993 to 1994, the average company reported growth of 14.7 percent. (This portion of the survey was not weighted to company size.) Eighty-seven percent of the companies noted positive growth in 1994. Moreover, 93 percent predict positive growth in 1995, an average of 15.8 percent per company.

The statistics also show some indication that independent lawn care operators are finally breaking with tradition and actually raising prices, even in light of an increasing number of low-priced competitors.

Forty-five percent of the respondents to the survey said they raised prices in 1994. Of those LCOs who have decided on 1995 prices, 69 percent will raise them. But since 29.4 percent are still undecided, the number of companies that raise prices in 1995 could be as low as 48.7 percent (still greater than the 1994 figure) and as high as 78.5 percent.

Almost 87 percent of the respondents to the survey were involved in chemical lawn care. The average company's revenues from chemical lawn care were 38.5 percent of total revenues in 1994. Thirty-two percent of the respondents perform chemical lawn care only.

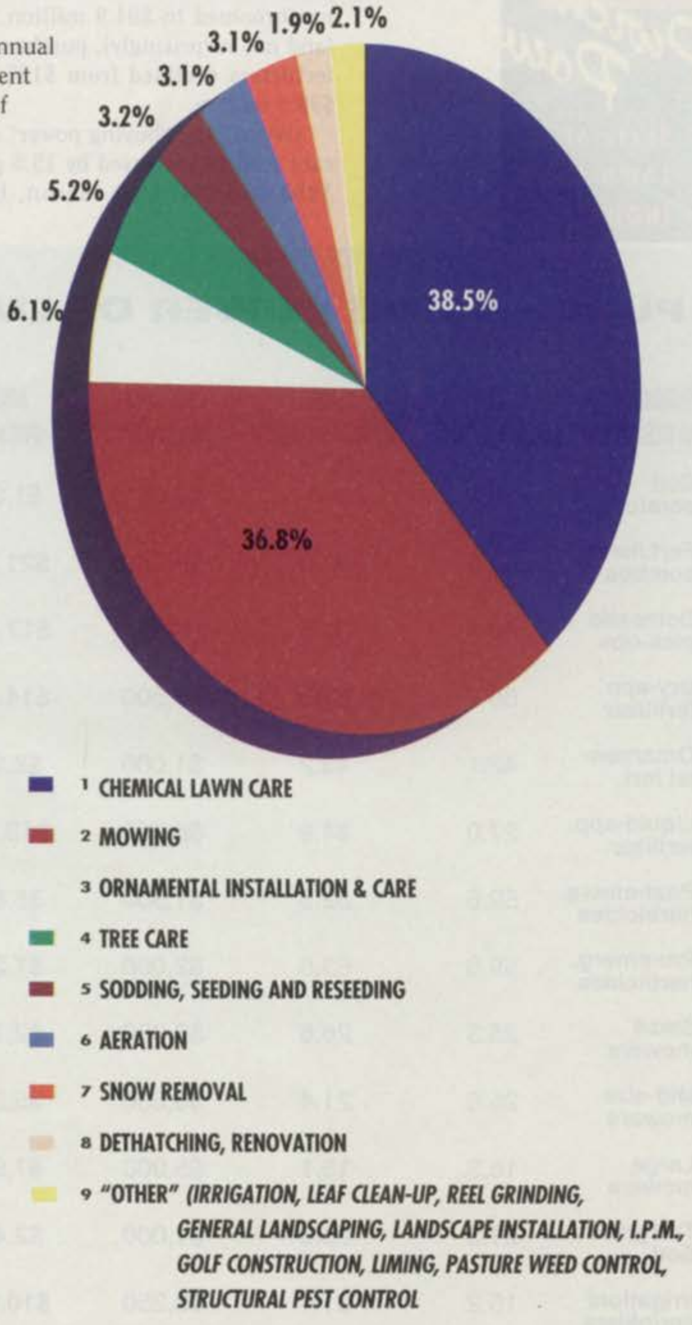
Three of four respondents perform some mechanical maintenance (mowing, aeration, trimming, etc.). The average company's revenues from mowing in 1994 were 36.8 percent of total revenues. One in four companies does not apply chemicals or fertilizers.

Other revenues come from ornamental installation and care, tree care, sodding/seeding/reseeding, aeration, snow removal, and dethatching/renovation. Some isolated companies even offer irrigation services, reel grinding, golf construction, liming, pasture weed control, structural pest control and Integrated Pest Management (IPM) services.

Not surprisingly, 59.8 percent of the respondents remain optimistic about the industry and 32.8 percent consider their feelings "neutral." Only 7.4 percent of the respondents claim to be pessimistic about the industry's outlook.

—Jerry Roche

REVENUES DERIVED FROM SERVICES PERFORMED



LM "STATE OF THE INDUSTRY" SCHEDULE

December . . . . .Athletic Fields
January . . . . .Landscaping
February . . . . .Golf Courses