

By Marisa Palmieri / Editor

THE GOOD BAD & UGLY



Green Industry optimism is up. Still, many firms haven't recovered from the recession and are struggling with tough weather years.

The good: There's a swing in the number of landscape and lawn care professionals calling the industry "healthy" versus "flat" or "down" compared to last year. (See "Pulse check" on page S5).

The bad: More than a quarter of industry members say they're "uncertain" about 2013 and 5 percent say they're "pessimistic" about next year (See "Optimism index," on page S5). (Last year only 12 percent were uncertain and 10 percent were pessimistic.)

And the ugly: Many companies were hit by back-to-back bad weather seasons with little snow in 2011-2012 and a historic drought in the spring and summer.

Still, companies report a 7.5 percent increase in gross revenue from 2010 to 2011 and are anticipating a 17 percent bump in revenue from 2011 to 2012. Many industries would be happy to have that growth in a post-recessionary economy. When it comes to profits, although a quarter of companies expect net profits to be less than 4 percent, 41 percent expect 10 percent or more. (See chart on page S7.)

On the upswing

John Newman is happy to report his company will meet its goal for 2012 of \$500,000 in revenue, which is back to the level it hit in 2008—before it started feeling the effects of the recession. That

half-million dollar mark is about 30 percent up from last year.

"We're excited because it's not just top-line growth, it's bottom-line growth," says the president of Classic Landscapes in Hampton, Ga. He attributes that growth to marketing (direct mail and some social media) and forming a maintenance division over the past few years. Residential maintenance now makes up 25 percent of the business. Previously it was 100 percent design/build. Newman is also encouraged by "little signs" he sees that tell him the industry's on the upswing. For example, his main landscape supply vendor's delivery board is fuller this year than the past few. And he just got news of a thousand-acre development underway in his area.

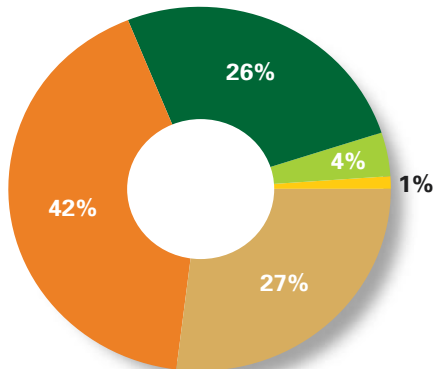
"That fired me up," he says. "It's one little sign that a turnaround is coming." Newman plans for 10 percent growth for 2013.

Jeff Bowen, owner of Stuart, Fla.-based Images of Green also says the economy is getting better. "I think it's improving, at least here," he says. "One way I can tell is by the number of what I call the 'no-name landscapers,' that pop up, and we have as many of them as ever," he says, referring to contractors who don't have logos on their trucks and don't wear uniforms.

Bowen's company budgeted for \$1.5 million in

Optimism index

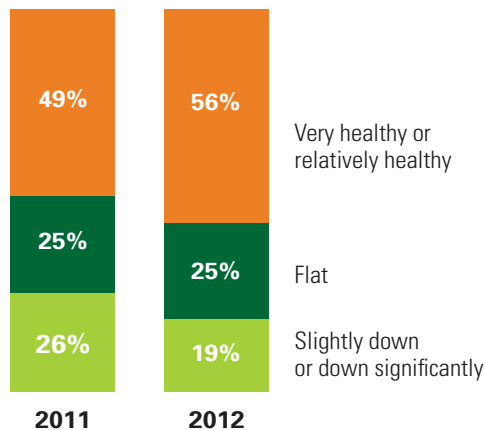
What's your 2013 business outlook?



- Somewhat optimistic
- Very optimistic
- Uncertain
- Somewhat pessimistic
- Very pessimistic

Pulse check

How contractors describe the state of the landscape industry



Methodology

We surveyed *Landscape Management* readers online in August and September, garnering 537 complete responses. Based on the sample size and response rate, a 95 percent confidence level is assumed with a +/- 5 percent margin of error. Unless otherwise noted, all charts and figures throughout this report come from this survey.

revenue in 2012 and says it'll reach its goal, despite dumping a \$225,000 homeowner association client in the spring.

"We spent the summer getting it back in other work, but it's better now," he says. He's optimistic about next year, and is budgeting to be 10 percent to 15 percent up for 2013. On top of that growth, Bowen hopes to continue growing his new tree care company, Jeff's Arbor Care. His goal when starting the business last year (which isn't part of Images of Green primarily due to risk and workers' compensation insurance reasons), was to achieve \$200,000 in revenue the first year, and he says it's on track.

"We're trying to take advantage of things like tree care with better margins that make more profits," he says. "Our biggest margin isn't mowing lawns. I wish it was, but it's not. It's irrigation, tree work and pesticide applications."

PULSE PROFILE



John Newman
President
Classic Landscapes
Hampton, Ga.

2012 projected revenue: \$500,000

Service mix: 75% design/build;
25% maintenance

Challenge: Overall growth

Solution: "Growing our maintenance division and reinvesting in branding. We bought a big box truck and splashed graphics all over it. There are a lot of people who say, 'Hey, I've seen your truck and I'd like to have you give us a maintenance quote.' We've also done a large investment in direct mail these past 18 months. We spent about \$6,000. The business it's brought in more than exceeds the investment."

Warm & Dry

Warm and dry conditions—in both the winter and the summer—dominated the national weather story this year, affecting the Green Industry in various ways. December 2011 through February 2012 marked the fourth-warmest winter on record for the continental U.S., according to the National Oceanic and Atmospheric Administration (NOAA).

The average temperature for the Lower 48 states during the December through February period—the time span defined as meteorological winter—was 3.9 degrees F above the 1901 to 2000 long-term average, making it the warmest winter since 2000, worldweatherpost.com reports.

According to the Rutgers University Global Snow Lab, winter snow cover extent in the contiguous U.S. was the third smallest in the 46-year satellite record. The only winter seasons that had smaller snow cover extents were the winters of 1991 to 1992 and 1980 to 1981, NOAA reports.

Summer, too, was hot and dry throughout much of the U.S. A warmer-than-average June, the hottest July, plus a warmer-than-average August equated to the third hottest summer on record, according to NOAA. The national average temperature for the summer season was 74.4 degrees F, 2.3 degrees above the 20th century average. Only the summers of 2011 and 1936 had higher temperatures for the Lower 48.

The national average summer precipitation total of 7.39 inches, which was 0.86 inch below average, marked the 18th driest summer on record for the contiguous U.S. Drier-than-average conditions prevailed across much of the central U.S., from the Rocky Mountains to the Ohio Valley. Nebraska's summer precipitation was 5.92 inches below its average of 9.46 inches, while Wyoming's precipitation was 2.3 inches below its average of 3.97, marking the driest summer on record for both states. Missouri, Illinois, Iowa, South Dakota and New Mexico had summer precipitation totals among their 10 driest.

The summer was wetter than average across the West Coast, the Gulf Coast and New England. Florida, Louisiana and Mississippi had wet summers, partially driven by Hurricane Isaac in August and Tropical Storm Debby in June.

Optimistic about next year

Jeff Swano, president and owner of Dig Right In Landscaping, Brookfield, Ill., also projects “modest” growth of 10 percent for 2013.

“Although I think it could be more, depending on the weather,” he says. His company, more than four-fifths of which is made up of revenue from design/build work (including residential drainage services), had a record year in 2011 at \$854,000 thanks to the soggy weather. In a dry year like this one, Dig Right In will gross \$750,000.

“It’s been a slow year since June,” he says. “It’s a mix of the economy, drought and we feel the election is also having an effect on the economy. “It should be better after the election, no matter who wins,” Swano says. “The wondering will be over. Once that’s resolved, hopefully there will be pent up demand from everyone who didn’t spend money this year.” (For more on the election, see “Cast your ballot” on page S8.)

Swano’s also hoping this year’s drought will create a need in the fall and next spring.

“We’re already seeing a pickup in lawn replacements with sod,” he says. “We’re very optimistic about next year.”

Tough markets persist

Though optimism is prevalent, there are some areas of the country where difficult conditions remain. In Reno, Nev., where the worst-in-the-nation state unemployment rate was 12.1 percent in August, Steven Fine says Signature Landscapes is shooting for no growth in 2013 except in its commercial maintenance division, in which he expects a 10 percent bump.

“Going into 2012, things were looking up,” he says. “All signs were pointing to the recovery we heard so much about. In 2012, the recovery just never took place. We’re seeing this in every industry in the state. The only companies showing growth are those doing business outside of the state. Reno’s really taken a hit and that’s affected Signature.” The large company, which didn’t disclose its revenue, employs more than 250 workers at peak. It has an 85 percent/15 percent commercial/residential split.

For 2013, uncertainty remains.

“We want to budget aggressively, but it’s tough out here,” he says. “We’re going to plan for the worst and live within those means.” ■■

WHAT'S AVERAGE?

19.5

Average number of years in business.

21

Average number of seasonal and year-round employees

+7.5%

Average gross revenue change from 2010-2011

+17%

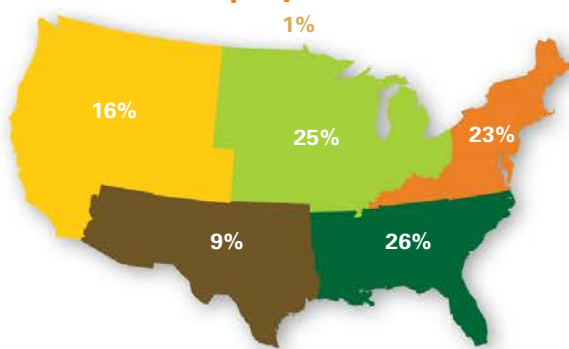
Average anticipated gross revenue change from 2011-2012



TOP REVENUE OPPORTUNITIES (RANK CHANGED FROM LAST YEAR)

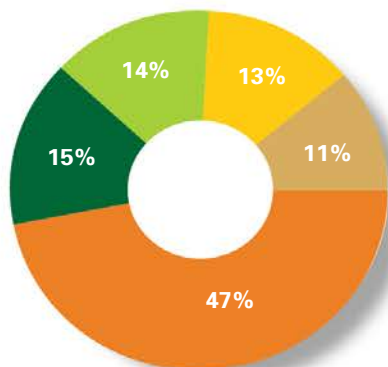
- 1 Residential design/build/installation
- 2 Residential maintenance/mowing (+1)
- 3 Commercial maintenance/mowing (-1)
- 4 Irrigation/water management (+3)
- 5 Snow and ice management (-2)
- 6^t Landscape lighting (+3)
- 6^t Commercial design/build/installation (0)
- 8 Chemical lawn care services (-3)
- 9^t Water features/pond installation (0)
- 9^t Green/sustainability services (-2)

Company Location



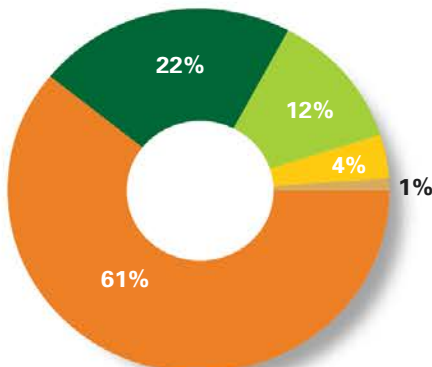
- Midwest:** OH, IN, IL, MI, WI, MN, MO, IA, ND, SD, NE, KS
- West:** AK, CA, CO, HI, ID, MT, NV, OR, UT, WA, WY
- Southeast:** AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV
- Southwest:** AZ, NM, OK, TX
- Northeast:** CT, DE, ME, MD, MA, NJ, NH, NY, PA, RI, VT, D.C.
- Canada**

2011 revenue



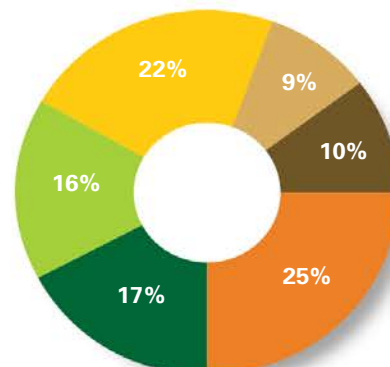
- Under \$250,000
- \$250,000-\$499,999
- \$500,000-\$999,999
- \$1 million-\$2.49 million
- \$2.5 million and up

Customer mix



- Single-family residential
- Commercial
- Multifamily properties
- Government/institutional
- Other

2012 anticipated net profits



- Less than 4%
- 4-5%
- 6-9%
- 10-15%
- 16-20%
- More than 20%