

2022
**STATE
OF THE
INDUSTRY**
Report

Page S1



Contractors are cautiously optimistic despite inflation, supply chain issues and high fuel prices.

A SUPPLEMENT TO

Lawn & Landscape

SPONSORED BY

Kubota

ILLUSTRATION: MICHAEL CRAMPTON

Where do you want to be in 2023?

IT'S HARD TO BELIEVE WE'RE NEARING THE END OF ANOTHER YEAR and already looking toward 2023. But as we do, it seems there is a renewed sense of cautious optimism for our industry, even despite fear of a recession. Perhaps the year ahead is being greeted in this way because of all we've been through and all we've learned from it, or more likely from a desire to get back to life before the word "pandemic" even entered our vocabulary.

What this year has taught us, above all, is that we must keep moving forward, activating long-term plans, and looking past today to ensure a productive future.

For Kubota, we've been busy doing just that by significantly expanding our infrastructure. This year alone, we've announced commitments of more than \$320 million to our U.S. facilities. In fact, we recently celebrated the opening of our new North America R&D facility in Gainesville, Georgia, in addition to announcing plans to expand manufacturing capacity in the state. What this means for the landscape industry is more Kubota turf products are being produced here in the U.S. than ever before. Kubota commercial and residential turf equipment is proudly "Georgia Made," with more to come in the year ahead.

We know you can't do your job without quick access to the right equipment at the right time. And we've heard from you that even despite the challenges, like high energy prices, lack of quality labor, and supply chain issues, you are still growing. The better we can respond to your needs, the better chance you have of keeping your customers happy and your business growing.

That is why we are also diversifying our product lines — introducing more stand-on mowers and walk behinds, more powerful zero-turn mowers; and more versatile utility vehicles and landscape construction equipment to carry your crew and your tools. Our product development and one-stop shop equipment offerings are in direct response to your specific needs, working with our dealer and landscape partners, and then backed by the best dealer service and support.

And that's just what we're doing today. For tomorrow, we are working to harness new technologies and innovation in our R&D facilities that will someday soon provide even more solutions to not only make your jobs better and more productive, but also to lessen our collective impact on the environment and create a better future for us all.

With that, let's use this time to review the year's learnings, renew our sense of optimism, and recommit to where we want to be in 2023. Together, let's put a plan in motion for a prosperous year ahead.

Best Wishes,

Todd Stucke



Todd Stucke

Sr. VP Marketing, Product Support
& Strategic Projects, Kubota
Tractor Corporation
Vice President, Sales & Marketing,
Kubota North America

Strong results

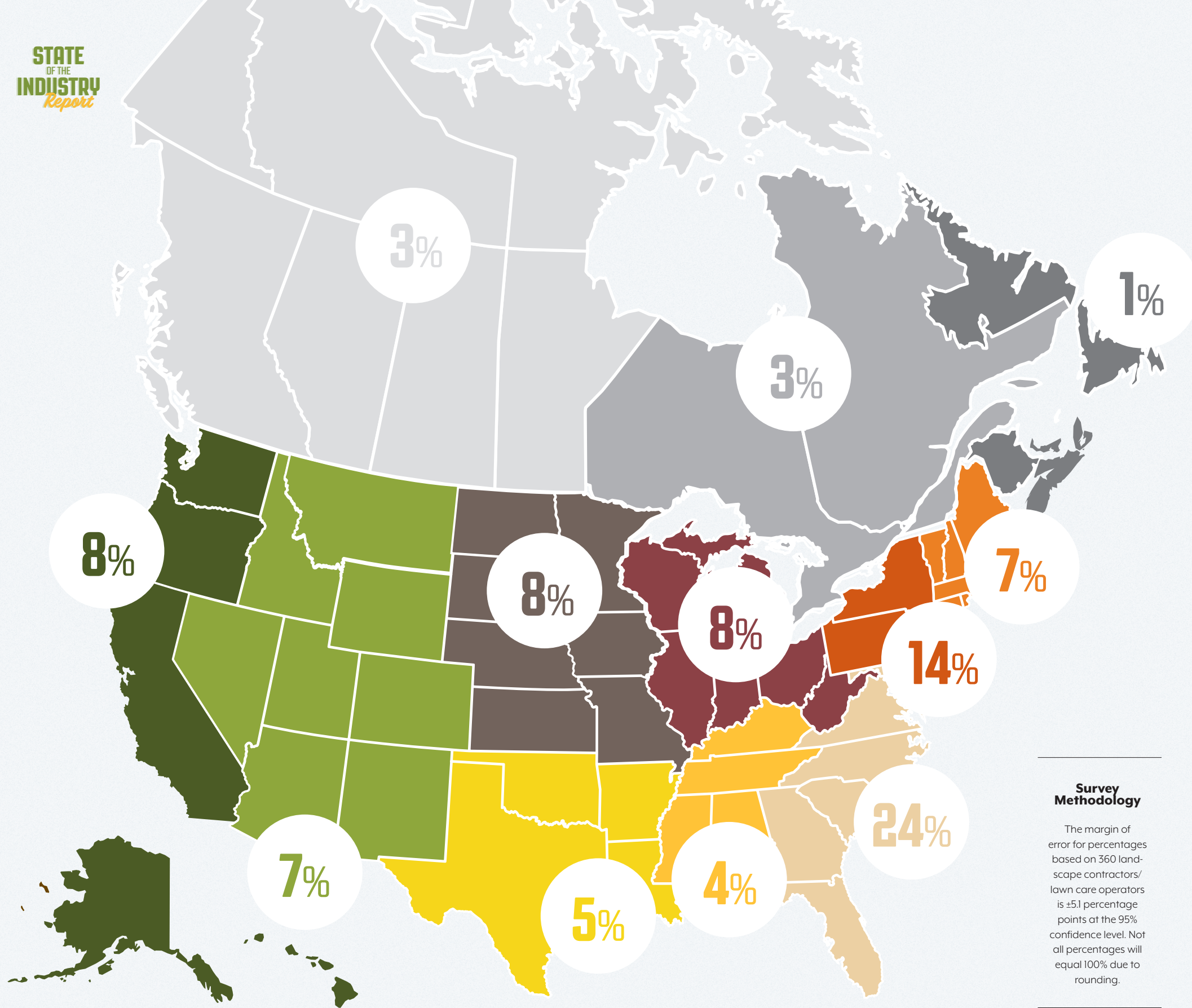
despite growing headaches

On a
positive note,
85%
said they turned
a profit compared
to 79% in last
year's report.

LANDSCAPERS ACROSS THE COUNTRY AGAIN reported growing revenue, profitability and expectations for more growth into 2023. One area that our survey showed a gigantic leap was the median revenue of landscaping companies. In last year's report, you reported median revenue of \$273,000. That jumped to a whopping \$604,000 for 2021 revenue. This could have been caused by a number of factors, one being that a decent number of companies with less than \$500,000 in revenue didn't take the survey compared to last year. Was that because they were too busy to take the survey, or just not in business anymore either because they closed or were acquired? We'll have to see how it plays out over the next few years.

As far as confidence, you aren't as sure as you were last year that your business or the industry will grow. Ten percent weren't confident at all in business growth, compared to 8% last year, while 8% are not at all confident in industry growth compared to 3% last year. On a positive note, 85% said they turned a profit compared to 79% in last year's report.

— Brian Horn



In which state/ province is your company location?

Northeast

- **New England**
(CT, MA, ME, NH, RI, VT) 7%
- **Middle Atlantic**
(NJ, NY, PA) 14%

Midwest

- **East North Central**
(IL, IN, MI, OH, WI) 19%
- **West North Central**
(IA, KS, MN, MO, NE, ND, SD) 8%

South

- **South Atlantic**
(DC, DE, FL, GA, MD, NC, PR/VI, SC, VA, WV) 24%
- **East South Central**
(AL, KY, MS, TN) 4%
- **West South Central**
(AR, LA, OK, TX) 5%

West

- **Mountain**
(AZ, CO, ID, MT, NM, NV, UT, WY) 7%
- **Pacific**
(AK, AS, CA, HI, OR, WA) 8%

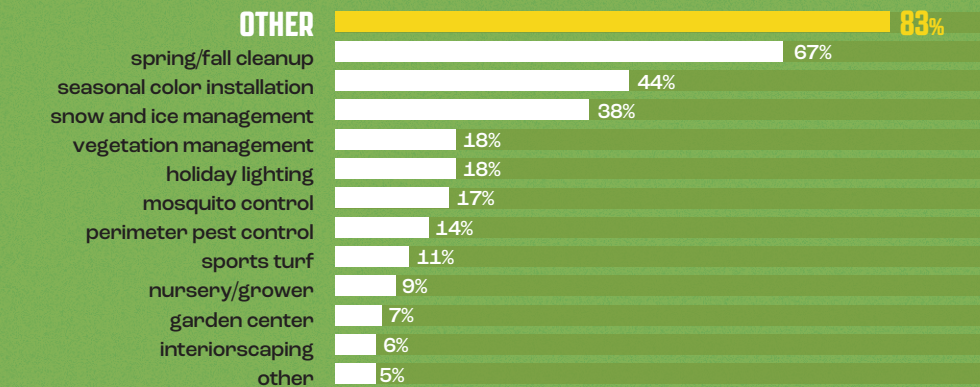
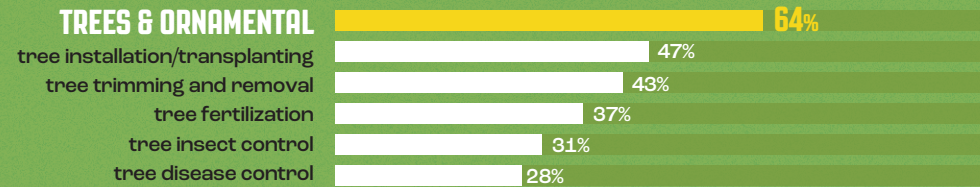
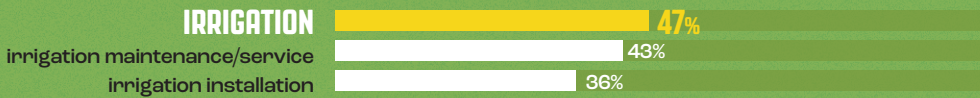
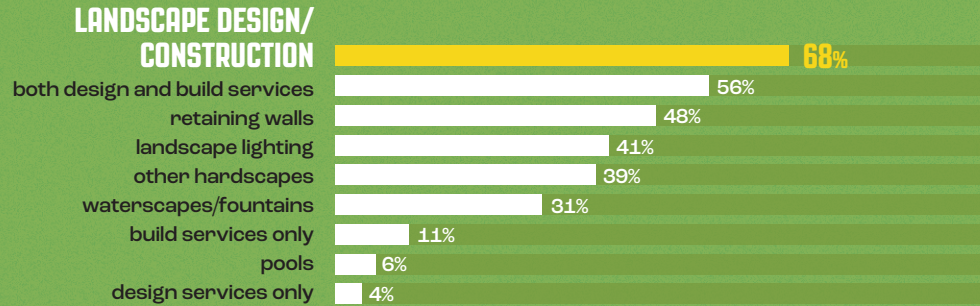
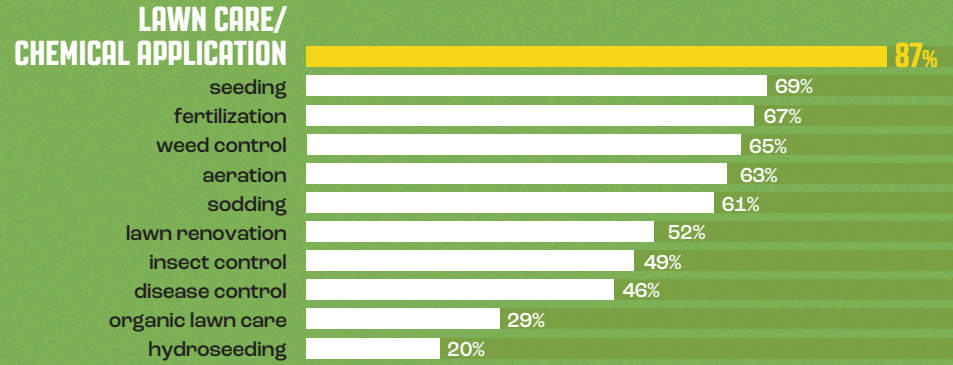
Canada

- **Atlantic Canada**
(NB, NL, NS, PE) 1%
- **Central Canada**
(ON, QC) 3%
- **Western Canada** (AB, BC, MB, SK) 2%

Survey Methodology

The margin of error for percentages based on 360 landscape contractors/lawn care operators is ±5.1 percentage points at the 95% confidence level. Not all percentages will equal 100% due to rounding.

Which of the following services does your location currently offer?



INDICATED AT LEAST ONE: 100% • NO ANSWER: 0%



How many full-time, part-time, and seasonal employees does your location currently have?



19 full-time



2 part-time



6 seasonal



27 total employees

MEAN

The average revenue of all respondents.

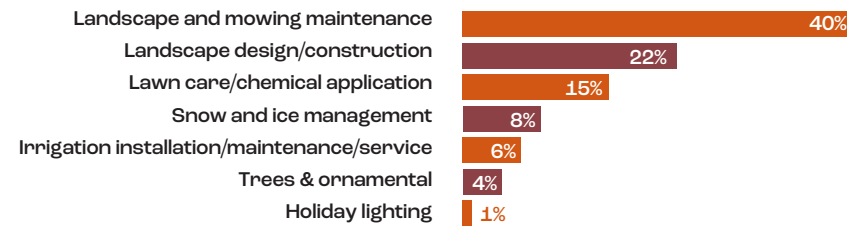
\$1.74 MILLION

MEDIAN

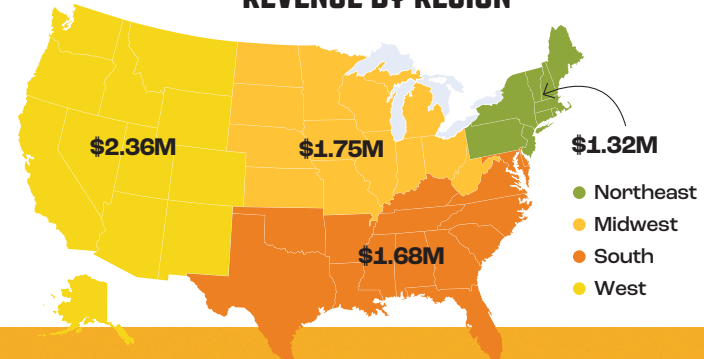
The revenue number in the middle where extreme outliers are removed like respondents with extremely high or low revenue.

\$604,000

Approximately what percentage of your location's 2021 gross revenue came from each of the following services?



REVENUE BY REGION

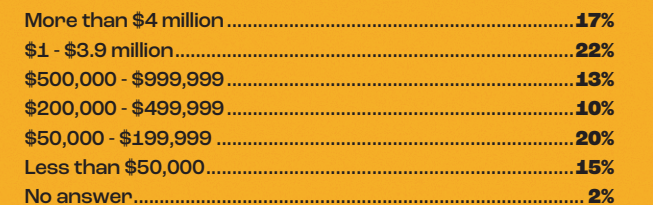


Did your location turn a profit in 2021?

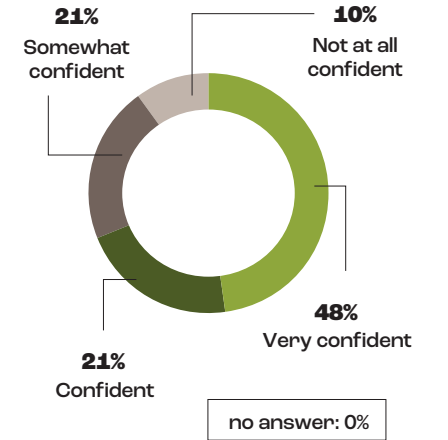
yes 85% no 14%

no answer: 1%

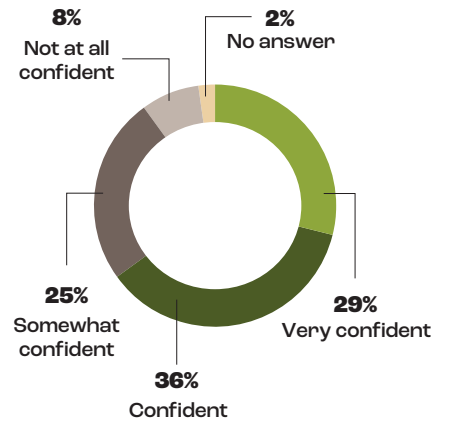
Approximately what was your location's gross revenue in 2021 (in USD)?



How confident are you that your location's business will grow in revenue in 2022?



How confident are you that the national landscape industry will grow in overall revenue in 2022?



Today's forecast: perfect conditions for growing your business.



Commercial Mowers  Fleet discounts  Free loaners

Thick, wet grass. Uneven terrain. No problem with our full commercial lineup and comprehensive fleet program with special discounts and free loaner units to keep you productive. The Z700, SZ Stand-On and W Series. Built to mow it all. And build your business.

KubotaUSA.com

© Kubota Tractor Corporation, 2022. This material is for descriptive purposes only. Kubota disclaims all representations and warranties, express or implied, or any liability from the use of this material. For complete warranty, safety and product information, consult your local Kubota dealer. For the complete disclaimer, go to KubotaUSA.com/disclaimers and see the posted disclaimer.

 **Kubota**
Together we do more.®

BURDENS

TO BEAR

by Kim Lux & Jimmy Miller

Illustration by Michael Crampton

Companies are contending with long-lasting issues like labor, plus new concerns and an uncertain economic future.

BRIAN PAIGE

president, Paige Landscape Company

Walpole, Mass.

This year has been a rebuilding year of sorts for Paige Landscape Company. As a commercial landscape and maintenance business, the company did not see the COVID-era boom in design/build work like others did. But now it looks like the company is back to its 2019 numbers and it's still growing.

"2021 was a good bounce back year from 2020," Paige says. "Like a lot of people, we took a big hit in 2020. We don't do any residential work where people were working on their homes and doing outdoor projects. Most of our commercial clients kept the basics going on their maintenance contracts but weren't spending a ton of money on extras.

"We were back to where we were in 2019 and now are expanding the business a little bit further," he adds. "In 2022, we're projected to grow slightly. Our top line number is growing; however, our margins are a lot tighter with all of the inflation costs."

Paige says one of the biggest challenges he's facing right now is more competition in an already tight market.

"There are a lot more companies in the area that used to be strictly residential and are now getting into the commercial market, which obviously gives more competition to us," he says.

Though Paige adds he isn't too worried about the competition as he feels the talent of his employees sets the company apart from the crowd. This year, the company has about 27 landscape employees and 56 snow employees on staff.

"To me, it comes down to our employees," he says. "We all have the same trucks, trailers and mowers for the most part. So really it comes down to who are the people we're bringing out to these properties to do the work?"

Recently, Paige says he's been prioritizing training for all levels. This emphasis on learning includes a full training program for new hires plus weekly training events where various topics are reviewed.

And not only is Paige focused on training employees but retaining them, too. That's why the company started an incentive program utilizing poker chips that employees can earn and cash in for a little bonus money.

"These chips have a denomination to them, mostly \$5, and if a crew comes in on or below budget and there's no issues then everyone on the crew earns a poker chip for the project," he explains.

Higher-value chips worth \$100-200 are also given out for employee referrals.

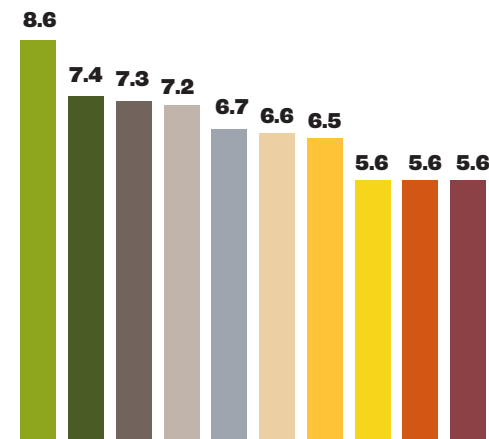
"If people get compliments from a customer, they can earn one that way, too," Paige says. "Through training and plant identification practices, they can get poker chips as well.

"That program has made it fun for the guys and helps with retention," he adds.



How concerned are you about the impact of each of these issues on your business in the next three years?

10: VERY CONCERNED · 1: NOT AT ALL CONCERNED



- High fuel prices
- Quality labor shortage
- Economic recession
- Supply chain issues
- High health insurance costs
- High workers' compensation costs
- High fertilizer prices
- Personal life stress
- Customers cutting back/cancelling services
- Lower margins on work

RYAN JANTZ

general manager, Sorona Sprinkler

Surprise, Ariz.

WHILE 2021 WAS A BANNER YEAR FOR SORONA SPRINKLER and the company made more money than ever before, Jantz says he would categorize 2022 as sporadic. The company reached \$1.4 million in 2021 and only expects to do about \$1.5 million this year.

"We've raised our rates 40% since COVID hit," Jantz says. "We'll put out four bids in a day and two people say they absolutely won't do the job for the price we quoted but the other two people won't even blink and say 'put us on the schedule.' It's been kind of tough to find where the market is at. That's been a challenge."

Last year Jantz says people wouldn't bat an eyelash at pricing but since earlier this year, they've had to be more strategic.

"The sky was the limit on pricing," he says. "The work kept coming in and looks like you could price a job at \$5,500 or \$7,500 and it didn't really matter. The close rate was right up there. And that rolled all the way into February 2022. Somewhere after that we peaked out and gently started falling. We haven't fallen a lot, but it has definitely plateaued."

Nowadays, Jantz says it's the little added things he can do for a prospective client that makes them say yes.

"People are still willing to spend money, but you've got to bring more to the plate," he adds. "You have to demonstrate more value or throw in more things for free just to get them over that close threshold."

Jantz says to try and grow this year he's made quite a few changes, one of the biggest ones being moving his technicians to commission-based pay.

"It's been going really well. I put them on a 30% commission," he notes, adding Sorona has a team of 12 employees. "Now when we get into our slow times, the technicians are thinking on their feet and coming to me with ideas like 'Why don't we put a coupon on our website?' It's really pushed them to where they have a desire to upsell. Before with upselling or things they could add-on at a project, there was very little motivation."

Jantz has also begun investing more in online advertising.

"In 2022 we've had to rely heavily on Google Ads," he says. "In 2021 we needed very little online marketing, but now to keep the men busy and calls coming in on a steady basis, I have to be pushing Google and Microsoft ads every week."

Jantz even hired a third-party company to run his ad campaigns, so he can ensure he gets the most bang for his buck.

"Before I'd set a budget of \$150 or however much a day and you'd get all this data at the end. I'm not a computer programmer to decipher who clicked on what and where the leads came from. But now it might cost me more per month, but they've been able to distill down to me where the traffic is coming from," Jantz says.

"They've been able to help me more understand what the data means and guide the campaign in the right direction. That's been huge for us."

In the past 3 years, have you been approached about selling your business?

yes
43%

no
56%

no answer: 1%

JOHN LANE

owner, Castle Rock Sprinkler Service

Denver, Colo.

JOHN LANE FEELS LIKE masking and social distancing have all gone by the wayside, but the fallout from COVID-19 is still lingering on the workforce.

"If I could have three or four more people who want to be technicians, I could've kept them all busy," says Lane, who runs Castle Rock Sprinkler Service in Colorado. "But I just can't find them."

Lane believes COVID led to a workforce that's not interested in working outside all day long. At one point, his company, which does mostly irrigation but some lawn maintenance, offered a \$30-per-hour pay and a signing bonus but still couldn't get his phone to ring. Others who do call will schedule an interview but refuse to show up.

"It's unbelievable how people look at work," Lane says, adding that even still, his company has nine employees and earns \$1 million. "That's going to be the lasting legacy of COVID is how it changed our society."

Worst of all, he's had people say they're experienced who don't have any experience at all. Lane says he's combated this by offering \$250 in cash to have them ride with him to a jobsite, which helps him feel good about an employee (or weed out those who won't work out) quickly.

He took one employee out in the field with him who claimed to have lots of experience. Lane says he and the employee were manually opening valves and

going through zones when all of the sudden, Lane heard swearing. The employee prospect had stepped inside a valve box and crushed something inside. At the end of the day – and after repairs to the system – the employee told Lane he didn't want to accept the \$250.

"I cost you more than I was worth," Lane recalls the employee saying. But he told the man that he saw things he did like, too. He still paid him, even though he never heard from that prospect again.

"I'm not a guy to pile on," Lane says. "Isn't there enough piling on already? We're building a business

with respectful values."

At this point, he also acknowledges that he can't just find someone with a bunch of irrigation experience right out of the gate. He's prepared to do some training. He's just looking for people with mechanical ability and starting them out as helpers to travel with experienced technicians. Over the season, they could start earning more responsibility.

"At this point, the thought of finding an experienced technician – they're just not out there," Lane says. "Nobody in Denver woke up this morning and said they want to be a sprinkler guy."

LESTER ANDERS

president & owner, Nature's Link, Inc.

Bloomington, Ind.

2022 HAS BEEN SMOOTH SAILING FOR NATURE'S LINK, and Anders says he feels like bright days are still ahead. At least for now.

"2021 was very good. We had about 35% growth," he says. "This year I expect to beat that by another 20% or so. The last two years have been very good, but that being said, we are always cautiously optimistic."

Anders says the best part of the last few years has been an increase in high-value work for the company.

"The sheer size of our commercial projects going on has been a highlight for us," he says. "An average project five to 10 years ago was a lot smaller and around \$30,000-\$50,000. And now over the past couple of years, the projects are closer to \$200,000-\$300,000... and we had one recently for \$1.2 million."

While he hopes this trend will continue, Anders says he is concerned about rising interest rates.



"I'm afraid that once the rates go up that (it's) going to start going in the other direction," he says.

Anders recalls during the last housing crunch, professors in the college town he services were moving out of the city and there was a halt on major projects.

"When banks stopped loaning money, there was almost no new construction at all," he says. "All commercial work was impacted. We had to change gears pretty quickly and do a whole lot of little projects. That was pretty rough, and that's where my head goes as far as 2023."

In the meantime, Anders says his biggest challenge, like most everyone's, is labor.

"Most of my guys have been here 15, 18 or 20 years," he says. "We treat them very well. We offer retirement, insurance, we keep drinks and snacks there for them. So, we're lucky our core group has been here a long, long time. But trying to find those younger ones to come in and work is kind of a difficult thing."

And with labor rates up substantially, Anders says it only makes it more difficult.

To compensate for having less staff, Anders says he's been trying to have crews work smarter and not harder.

"We try to run as much equipment as we possibly can," he says. "Machinery has been replacing a third guy on crews. Since my guys are also getting older and older, I'm trying to make things less physical for them."

"If the labor isn't going to come here, you've got to be able to work more efficiently," Anders adds.

BENJAMIN BODNAR

owner, Integrity Landscape Management

Stockbridge, Ga.

BENJAMIN BODNAR BELIEVES THE BARRIER OF ENTRY in the landscaping industry is incredibly high due to restrictive government policies on home-based businesses.

Several years ago, Bodnar – who is now doing all of his work as a one-man shop – had to terminate all of his employees. His municipality cited him for operating a business out of his home, urging that only employees who lived in the home could stay onboard at the company.

Now, he's talked with several local businessowners at community events and his church. It's become a situation where Bodnar – and he believes others – are stuck.

"If I'm going to take on more work, I need more employees to do that to get a commercial space," he says. "It's like Catch-22.

You can't get a commercial space unless you have the revenue to support it."

Bodnar says in his research, he's found that almost all businesses start as home-based companies. He doesn't believe anyone can grow except companies that already have existing commercial spaces, making starting a business next to impossible.

He adds that he's argued with policy-makers on the subject and has attended city council meetings, but he says they've told him that they don't want parked cars lining residential streets. Bodnar says he's argued



that his employees would go straight to the jobsite, but they've created a no-excuses mentality.

"There's only so much one person can do," Bodnar says, adding that he's saving up to possibly leave the industry as a result of this. He had to cut 75% of his clients at the time. "Even if you have the tightest route with maintenance, supposedly a year with perfect weather, there's only so much you can do with one person."

Bodnar still operates with roughly 45 maintenance clients. He wakes up at 6 a.m. and basically works 12 hours. Then it's lather, rinse, repeat the next day. And sure, there are other issues plaguing the industry, he says. He points out problems like pesticide shortages, specifically glyphosate, where he loses money on rising costs despite having locked-in client contracts.

But this issue with home-based businesses is huge, Bodnar believes. He says he had COVID last January, the silver lining of which is that they weren't in season. But had he been sick in April as a one-man operation?

"It would've knocked me out," Bodnar says, "and I would've been out of business."

KATHY WHEATON

owner, Kathy's Corner

Vashon Island, Wa.

LABOR HAS BECOME A TOTAL "MONSTER" for Kathy Wheaton, who believes the cost of living has priced possible employees off her island.

Usually, Wheaton says she's able to comfortably hire employees across the team's three departments. Over half the work they do is landscape maintenance and design/build, but they're also a retail garden center and grower. A lack of affordable housing has made it so they've struggled to just get three teams (her 14 employees and landscaping supervisor) out in the field.

"(Vashon Island) has become a rich man's paradise, and that's great, but at the same time, lots and lots of jobs and work are stymied because there's nowhere for people to live," Wheaton says.

Wheaton says people sold off some of their houses or turned their second houses into a summer home or Airbnb, which eliminated rental possibilities for low-income earners. Wheaton says rentals went from an average cost of \$800 per month to somewhere between \$2,500 and \$3,000.

And for those not living on the island, commuting became a logistical nightmare. Those employees have to arrive by ferry boat – Wheaton says she's always paid ferry fees for five of her employees. But those boats started eliminating departure times during COVID as they dealt with their own staffing shortages.

"I lost one guy who had been here for 15 years," she says. "Those kind of things are painful because not only are you losing labor, but you're losing skilled labor."



Wheaton says she built a house with her husband and had seven children, plus hosted their mother in part of it. It's set up for people to live in there, and four employees have for years, but "that's just a drop in the bucket," Wheaton says. Because not only is labor scarce, but business is booming. Her employees are all working seven days a week.

Wheaton herself says she's only missed two days in the last three years, and both of those were for doctors appointments. Her field workers have one day off every fifth week and often work 12-hour shifts.

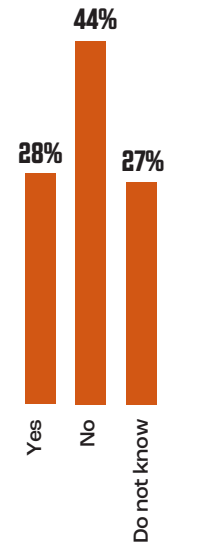
"You know how crazy our industry has been," Wheaton says. "We're doing a 300% increase in business with 50% of the staff we used to have."

"Everybody has stepped up and has given me 150%," Wheaton adds. "Everybody knows that they've just got to do more with less time, and they have."

Wheaton says her company's been in business since 1971 and has seen hundreds of changes over the years, but this particular labor crisis is one she can't figure out how to solve.

"We're looking forward to December and January, so that we can work five days instead of seven for maybe a month. We don't know what to do. It's really a serious, serious problem," Wheaton says. "I think, as an industry, our most serious problem is in fact labor. If we can't find a way to solve the (labor) situation, I think we're all in trouble."

Do you anticipate your location's business will be sold in the next 10 years?



What was your location's fastest growing service for revenue in 2021?



29%

Landscape maintenance (mowing, edging/trimming, pruning)



23%

Design/build services



14%

Lawn care



6%

Snow and ice management



5%

Irrigation installation/maintenance/service



4%

Tree and ornamental installation/care



1%

Waterscapes/fountains



1%

Landscape lighting

other: 6% | none: 6% | no answer: 4%

HANDLING the HEADACHES

Nationwide, contractors are sweating out supply chain and inflation pressures.

TRUCKS

TRUCK
INVENTORY
ON
BACKORDER

\$\$\$
MARKUP

SOLD
MARKUP

Story by
Kim Lux and Jimmy Miller

Illustration by
Michael Crampton

BUSINESS MIGHT BE BOOMING FOR MOST COMPANIES, but that doesn't mean green industry companies aren't contending several challenges that are impacting their bottom lines. One common issue is supply chain disruptions.

Since early on in the COVID-19 pandemic, it seems like materials and equipment for all segments of the industry have been in short supply.

"There's been a labor and material shortage, which for us has been a big important thing — especially materials," says Ken Coggins, manager of Garden Design Landscaping in Farmers Branch, Texas. "It's carried on into 2022 but I think we're going to see some let up in 2023."

Hank Parker, president of Bay Landscaping of Mobile, Alabama, says these supply chain issues coupled with fuel costs and other increases has made it harder to stay under budget.

DEALING WITH DELAYS

“Most of the supply chain stuff we’ve dealt with is trying to get trucks and mowers,” Parker says. “We’re starting to feel a pinch in our fleet.”

Fortunately for Bay Landscaping, Parker says the company upgraded its mower fleet last season. But they are still short on spare mowers in case of breakdowns.

“Right now, I think all four of our back-ups are all broke and waiting on parts. If nothing else breaks until those parts come in, we’ll be good. We’re getting by,” he says.

Parker adds that just like the mowers themselves, replacement parts for repairs are taking significantly longer to get in as well.

“We can’t seem to get parts in that have always been readily available. They might take two or three weeks where it used to only take a day,” he says.

Matt Singer, owner of John’s Home and Yard Service, based in Billings, Montana, says he’s happy that supply chain issues aren’t as bad this year compared to last.

“Sometimes we’ve had some supply chain issues still whether it’s landscaping or sprinkler supplies, but for the most part this year has been far better than last year,” he says.

“Last year PVC pipe for sprinklers was impossible to get,” Singer recalls. “So, when the pipe ran out here in Billings, I sent three trucks out to Wyoming and bought every piece of pipe I could and brought it back.”

Parker, too, is relieved that irrigation supplies are more readily available this year, but notes the price is still way up for it.

“The supply is there for now, but the cost is in some instances double what it was two years ago,” he says. “Any of that stuff is just through the roof.”

Machine delays have been the biggest headache for Singer.

“If I want a new lawn mower or mini loader, it’s months, or some will say even a year out, on a lot of things,” he says. “It’s the same with trucks as well.”

Coggins, who notes Garden Design works on a lot of new construction projects, says a shortage of plant materials has made things difficult.

“We had a crash several years ago and a



Supply chain shortages have caused green industry businesses, and their customers, to pivot from their original plans.

“WE KEEP A STOCKPILE OF EVERYTHING NOW. WE NEVER REALLY DID THAT BEFORE. BUT WE’RE TRYING TO ORDER ENOUGH. IF WE NEED TWO OF SOMETHING, WE’LL ORDER FOUR. AND THEN WHEN WE USE THE THIRD ONE, WE’LL ALREADY BE ORDERING A FEW MORE.

– HANK PARKER, PRESIDENT, BAY LANDSCAPING

lot of nurseries went out of business. And it takes a long time to build up a family nursery. I think we’re seeing a little of that still, but a lot of the bigger nurseries have expanded. And some other people have started to get into it,” he says.

“But the lead time on growing stuff is pretty long — especially for trees. So, we have seen a shortage of trees and bigger ornamentals. We expect to continue to see that in some areas.”

But all of these supply chain disruptions haven’t put a damper on business.

“Things have stayed fairly steady in our markets, though we’ve topped out in what we can do,” Coggins says. “But there’s still plenty of work out there we could get but we’re limited on supplies, labor and what not.”

SQUIRRELING AWAY FOR A RAINY DAY

With machines and parts taking longer to get in, companies are making sure they have plenty of inventory reserved for the unexpected.

“We keep a stockpile of everything now,” Parker says. “We never really did that before. But we’re trying to order enough. If we need two of something, we’ll order four. And then when we use the third one, we’ll already be ordering a few more.”

Singer notes keeping an ear to the ground and communicating with fellow businesses is the best way to see potential supply chain disruptions coming.

“I’m stocking a larger inventory on different things we’re worried about than I have in the past,” he says. “If I hear any sort of rumor on a supply that might be running low, then I fill up and make sure I have enough for the rest of the year or even part of next year on it.”

These holdups are also causing mechanics to be at the top of their game and get repairs done faster than ever before.

“This year we’ve been repairing stuff way faster than normal and trying to keep the machines up and running,” Singer says, “just because the timeline for machines is out so far that it doesn’t even make sense to buy them. By the time I buy them, the summer is over. I have to be buying things now and thinking of next year.”

Singer adds he is already looking ahead to next year and just purchased four new aerators for the springtime because suppliers told him they’d be at least six months out.

When it comes to some supplies, like stone or plant material, Singer says they’ve been trying to replace out of stock items with different options.

“We’re trying to find alternatives and substitutes for some supplies, but sometimes you just can’t do that,” he says.

SECURING TRUSTED PARTNERS

Having great vendors to work with has been a gamechanger in handling these supply chain shortages, Coggins says.



When asked how concerned landscapers are about an issue,

DIFFICULTY RAISING PRICES

only scored a 5.2 on a scale of 8-10. Only 25% ranked it 8-10, with 10 being very concerned.

Coggins says the company has made it a priority in recent years to foster relationships with the nurseries they receive their materials from.

“Several years ago, we started building plant pipelines, so we have a pretty good depth of vendors and they’ve helped sustain us through this period,” he says. “We’re looking for a good quality plant at a decent price. It doesn’t have to be the lowest; we understand they’ve got to make money.”

Coggins adds his favorite vendors to work with are the ones where Garden Design is their sole client, or at least one of very few.

“In Louisiana there’s a vendor we work with, and they grow primarily all we need to use. They may ship a truck a day to us, and they pick up a check every week. They don’t have to worry about a big overhead then; they just have to worry about growing plants and shipping them,” he says.

“So, we worked with them to develop that pipeline and it works well for them and works well for us... they can sell everything that they grow to us, and it just works well that way.”

What does your location charge, on average, per hour for labor for each of the following services?

2022

\$98.60

Snow and ice management

\$88.20

Landscape design/construction

\$87.10

Trees & ornamental

\$86.90

Irrigation

\$78.30

Lawn care/chemical application

\$68.10

Landscape maintenance

2021

N/A*

Snow and ice management

\$73.50

Irrigation

\$73.10

Landscape design/construction

\$69.70

Trees & ornamental

\$66.20

Lawn care/chemical application

\$59.20

Landscape maintenance

*Note: In 2021, the number of respondents for snow and ice management was not enough to calculate a valid result.

Securing these loyal relationships with vendors has paid off for the company. "It's not about going out and shopping for plants; it's about going out and developing a relationship with a vendor that would be able to supply you long-term even in the event of a shortage or a downturn or even high demand," Coggins says. "And that's proven true for us. We haven't had the shortages like we've had in the past."

COMMISERATING WITH CUSTOMERS

Despite all of the disruptions in the supply chain, Parker says it hasn't impacted customers yet as things have stayed on schedule and no routes have had to change due to less equipment being readily available.

"We'll find a way to do it," he says of the work. "Up to this point, we've found ways around it, but if it continues, I don't think we'll be so lucky."

Coggins says he hasn't had any problems with customers yet either because they are experiencing the same troubles.

"Our customers are in the construction business, so they understand prices are volatile, labor is short, and a lot of the projects we're on are being delayed," he says. "People are off six, eight months or even a year from the start of their schedule."

Singer says he feels it comes down to the individual — but most have been empathetic.

"Most customers are pretty understanding because it's affecting all their lives in some fashion or another," he says. "When we run into a hiccup, or something gets back out a month, most are OK with it."

Singer adds that customers have also been more accommodating to change as these supply chain issues continue.

"Some are willing to wait until next year when it's in stock because that's what they want, but other people will just swap a type of rock or pick a different size or color of something," he says. "It really is up to each individual's expectations. But overall, I think people are more willing to listen to a different option than before."



State of the Industry webinar

WEDNESDAY, NOVEMBER 9, 2022 | NOON ET

Lawn & Landscape Editor **Brian Horn** will moderate a discussion with green industry professionals about what has happened in the industry over the past 12 months and what to expect next year. Visit <https://bit.ly/2022soi> to find out who is on the panel.

Topics will include:

- Market trends
- Inflation
- What's gone well
- Supply chain
- Labor
- Thoughts on 2023

SCAN HERE
TO REGISTER



“IF YOU CAN
PROVIDE THAT
WITH SOME
COMMUNICATION,
YOU’RE NOT
GOING TO LOSE
CUSTOMERS ON
PRICE, AS LONG
AS YOU’RE NOT
THE HIGHEST
PRICE.”

– JED SHERMAN,
FIRST LANDING LAWN &
LANDSCAPE

PASS DOWN THE COST

As prices for materials and labor balloon with inflation, contractors nationwide are largely solving the issue by passing the costs on to the customer.

For Jed Sherman, a newcomer to the green industry at First Landing Lawn & Landscape in Cincinnati, Ohio, that cost increase hasn’t yet received lots of pushback. Sherman started his commercial landscaping company in 2019 and used COVID-19 as a way of experimenting with how to operate. They did the work largely on their own to sort out any pain points and learn more about what manhours it cost to do jobs, mostly at HOAs. Now, he’s up to five employees and 30 clients, but many of his relationships with clients are still relatively new – the company is just a few years old.

But Sherman says he also understands what his clients want. He owns a portfolio of hotels in Cincinnati and nearby Kentucky, and before entering the green industry, he noticed an annual challenge was earning a landscaping bid. “I was sitting down with one of our board members one day and I was telling him this gripe, and he says, ‘You could probably solve that problem,’” Sherman says.

So, as he’s upping the costs on renewals with his fledgling accounts, Sherman says he’s shooting for a 15% increase but settling somewhere closer to 10%. He may not have the problem of negotiating landscaping bids as a hotel manager, but now Sherman’s on the other side of the table, justifying raising costs by showing clients the higher prices he’s paying on materials, fuel and labor. A yard of mulch that recently cost him \$18 now costs \$35, and he’s passing those higher costs down to the client.

“Look, you’re going to lose some to pricing, but this really comes down to the problem that I said we were trying to solve: For most business owners, we just want the headache to go away,” Sherman says. “We just want to know that somebody’s going to show up each week and take care of the stuff that we want done. If you can provide that with some communication, you’re not going to lose customers on price, as long as you’re not the highest price.”

TOUGH CLIENT CONVERSATIONS

That’s not been the case for John Fitzgerald, the founder and president of Landesign Construction and Maintenance in the Bay Area of California. They’ve been in business for over 30 years, offering commercial maintenance and service to high-end residential accounts, plus some work at the many nearby wineries. Fitzgerald’s got roughly 125 employees and they earned \$11 million in revenue last year.

Even still, explaining the cost to customers has been a hassle – Fitzgerald estimates half of his clients push back on increased cost proposals. Some have even just paid previous invoices and tried to pass it off like they’re not paying the increased costs. He adds that he hasn’t lost any longtime clients; it’s largely conglomerate customers running apartment complexes who are trying to squeak by with lower costs.

But as a company operating in California, where inflationary pressures are among the most expensive in the nation, long-standing relationships with clients have not made explaining higher prices any easier.

“Everything has gone up and we’re trying to get our customers to understand that we have to go up 8 to 10%,” Fitzgerald says, adding that a normal cost increase each year is closer to 3%. “It’s really hard to get through to the customers what we’re going through.”

Out in rural Wyoming, Kolby Nebeker of Cowboy Curbing & Landscape is putting clients on a time crunch. In the past, he’s given prospects 30 days to accept a bid before the terms of the contract could change. Now, with how fast material costs are ebbing and flowing, he’s resorted to giving them just seven days before he tells them he may need to reevaluate the costs and send over a new bid.

Nebeker, who primarily does design/build work, has also offered more job installments in phases than in the past. So, clients can order one part of the whole project, and if they like the progress that’s being made, they can continue to double down on it with another job later.

“We haven’t been able to meet everybody’s budget, but I don’t think it’s been a shock,” Nebeker says. “Most people are dealing with the inflation so they’re understanding that material costs are going up, but it does make it harder to get certain jobs.”

DRIVING UP THE PRICE

Nebeker says he’s seen some materials double or nearly triple in cost over the last year, which means he’s been bulk ordering to try and lock in one price point and save the amount of trips he’s taking to his closest supplier.

Out in Western Wyoming, Nebeker says it takes roughly an hour to commute just about anywhere. Fuel has been a major pain point, one that’s called for careful attention to routing details. Now, when he goes to pick up plant materials for example, he’ll line up two or three jobs on the route there, even when the day’s schedule is already tight.

“We’ve had to group some stuff together so we can do less trips,” Nebeker says.

In Cincinnati, fuel prices also jumped this summer, but Sherman says his company didn’t add any fuel surcharges, even when gas hovered around \$5 a gallon. He’s been fortunate as a bootstrap start-up to operate without much overhead, so he leaned on employees he already had from other jobs to absorb extra work for the company. His net profit margin in 2021 was around 30%, and this year, it’ll still be closer to 20%.

Still, Sherman says he’s seen the pinch elsewhere – wage inflation. Last year alone, starting pay jumped from \$13 an hour to \$17, and that was hard to absorb. Sherman says he’s used to pivoting quickly like he does in the hotel industry, where the price of rooms can change several times a week or even a day without a problem.

And even at bigger companies in his area, Sherman says he’s noticed the labor pinch. In his own HOA where he lives, a landscaping company takes care of the property. Now, instead of four of their own employees, Sherman says they’re subcontracting two other employees to do the jobs.

“I know that they’re feeling it somewhere,” Sherman says. “You can just kind of feel it in the service delivery.”

Fitzgerald has of course dealt with high gas prices out in California, though he’s managed that by adding \$20-\$30 in increased gas charges on most accounts during renewal season.

Plenty of materials like PVC pipes and fittings cost more now than they did before, Fitzgerald says, but one major cost his company will need to swallow in the coming years is on battery-powered equipment. California recently passed a bill that would phase out sales for gas-powered equipment by 2024, meaning Fitzgerald – who already equips 15% of his company with electric equipment – will need to adjust quickly to the new mandate.

Of course, that equipment’s not cheap. Fitzgerald says he’s already noticed prices balloon for that equipment as 2024 inches closer.

That’s putting a huge burden on us to figure out what to buy in the next two years,” Fitzgerald says. “It’s going to be really hard to recoup that.” **L&L**

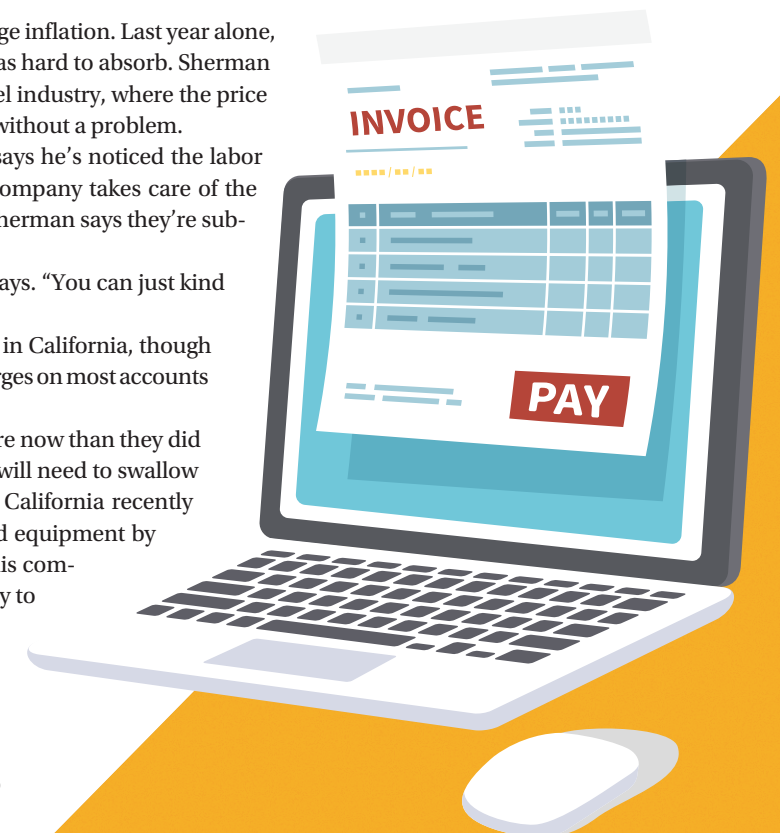


ILLUSTRATION: ADOBE STOCK

Worth their weight in word of mouth.



Commercial Landscape Lineup All-day comfort Efficient & Productive



Turn bare land into a beautiful piece of property with the Kubota landscaping lineup. The maneuverable SZ stand-on mower works well in tight spaces. Reliable, comfortable track loaders haul heavy loads. The RTV-X Series Utility Vehicle carries your crew and your tools. It's everything you need to build a reputation for getting the job done right.

Together we do more.®

[KubotaUSA.com](https://www.kubotausa.com)

© Kubota Tractor Corporation, 2022. This material is for descriptive purposes only. Kubota disclaims all representations and warranties, express or implied, or any liability from the use of this material. For complete warranty, safety and product information, consult your local Kubota dealer. For the complete disclaimer, go to [KubotaUSA.com/disclaimers](https://www.kubotausa.com/disclaimers) and see the posted disclaimer.