

Industry Executive Summary

Landscaping Services in the US
Dec-04-2009, NAICS 56173

Definition

This industry comprises establishments primarily engaged in providing landscape care and maintenance services and/or installing trees, shrubs, plants, lawns or gardens, as well as, establishments primarily engaged in providing these services as well as the design of landscape plans and/or construction (i.e. installation) of walkways, retaining walls, decks, fences, ponds or similar structures.

STATISTICS

2010 KEY FACTS

Revenue	\$49,928 Million
Number of Enterprises	264,977
Forecast Revenue Growth to 2014	2.5%
Forecast GDP Growth to 2014	2.5%
Recent Employment Growth	-1.6%
Average Wages per Employee	\$17,982
Average Profit Margin	2.0%
Average Revenue of Enterprise	\$188,424
Imports Share of Domestic Demand	N/A%
Exports Share of Revenue	N/A%

Competition in this industry is high
Volatility low (revenue fluctuations less than 3 points.)
The life cycle stage is growth

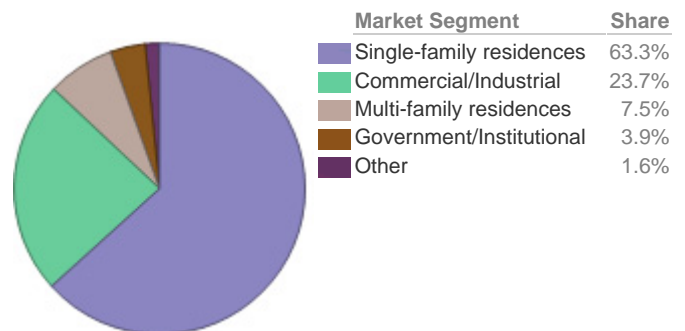
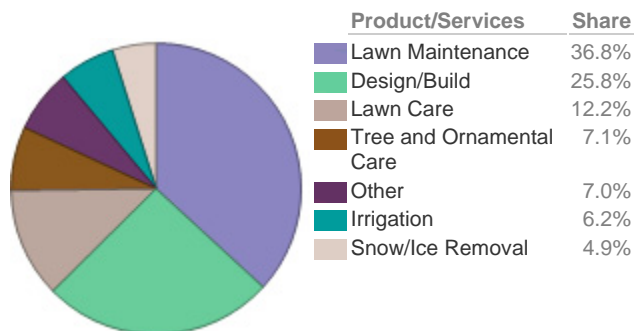
The top 4 players account for 7% of industry revenue:

- The ServiceMaster Company	2.7%
- ValleyCrest Companies	1.7%
- The Davey Tree Expert Company	0.9%
- The Brickman Group, Ltd.	0.9%

Industry Summary

PRODUCTS AND SERVICE SEGMENTATION

MAJOR MARKET SEGMENTS



MARKET SIZE

The major barrier to future industry growth is that household expenditure on garden maintenance is discretionary and therefore reliant on trends in real household disposable income, particularly of high income households. The latter is linked to changes in interest and tax rates, as well as gas prices, and is particularly relevant in the existing economic climate with rapidly rising unemployment. Increasing unemployment usually means that households will do more of their own gardening, because they have more time and/or want to reduce their expenditure.

Demand for Landscaping Services industry activities also relates to new residential construction activity, which has slumped significantly in the subprime mortgage crisis, along with housing prices and household wealth. Also significant is changes to household disposable income.

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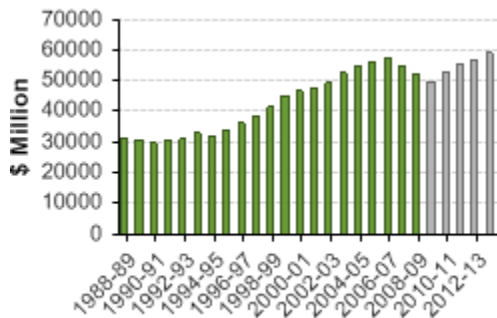
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Apart from the above, seasonal and weather factors can affect the demand, particularly for snow removal, as well as insect swarming and control activities.

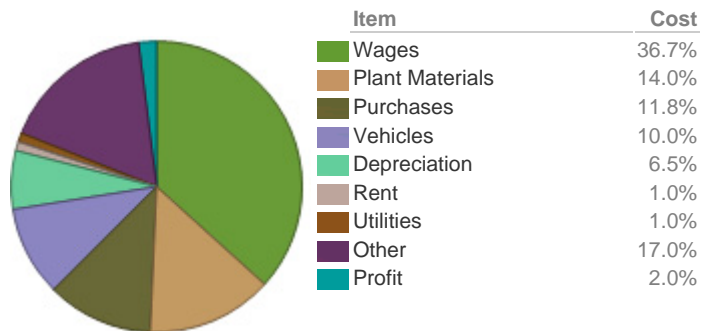
Industry revenue, however, has generally been following an increasing trend, due to the outsourcing of these activities by households, government, businesses and institutions. Landscaping services are also being bundled with other property maintenance services to provide a total package to clients under a single contract.

In 2009, IBISWorld forecasts the Landscaping Services industry to generate revenue of \$52,390 million, in constant 2009 prices, representing a real decline of 5.2% compared to 2008. This is due to evident economic recession plus the flow on impact of the sub-prime mortgage crisis on residential construction, house prices and sales. The industry will comprise about 272,611 enterprises, representing a decline of 3.1%, and operating from 274,204 establishments or locations, representing a fall of 3.2% compared to 2008. It will employ about 1,139,538, representing a decline of 3.5% over 2008 and wages paid for the year are expected to fall 2.3%, in 2009 prices, to \$19,219 million.

INDUSTRY REVENUE & FORECASTS



COST STRUCTURE

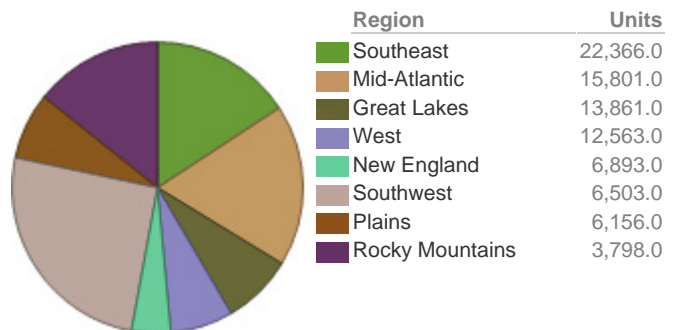


Geographic Spread

SHARE OF EMPLOYMENT BY REGION

Region	Units
Great Lakes	0.0
Mid-Atlantic	0.0
New England	0.0
Plains	0.0
Rocky Mountains	0.0
Southeast	0.0
Southwest	0.0
West	0.0

SHARE OF ESTABLISHMENTS BY REGION



Recent Industry Performance

The industry has been particularly hard hit by the significant slump in residential construction and property market relating to the subprime mortgage crisis since late 2007. Business bankruptcies continue to increase, and government budgetary finances remain under pressure. Therefore, all three main industry client groups are reducing demand for their landscaping and gardening services. The year 2009, is expected to be another poor trading one. Over the five year period to 2009, real industry revenue is expected by IBISWorld to decline at a relatively subdued average annual rate of 0.1%. Over the same period, industry employment is expected to fall. There will be a decline in industry profitability and margins in 2009 as price-based competition continues to strengthen, especially in the current recessionary period.

The industry is sensitive to changes in household disposable income, as well as seasonal variations, and to the demand for certain value-added services, such as garden plant trimming, removal etc. The outsourcing of landscaping services by businesses, governments, and particularly by higher income households, is also a major driver of growth. There may still be some outsourcing and bundling of all property maintenance services, that includes landscaping. Changes in the level of construction activity have also had an impact. Weather conditions, including very wet, very dry or snow, can affect industry demand on a season to season or annual basis.

	Revenue \$ Million	Growth %
2005	54,804.0	N/A
2006	56,297.0	2.7
2007	57,763.0	2.6
2008	55,264.0	-4.3
2009	52,390.0	-5.2

Industry Outlook

The slow recovery from the sub-prime mortgage crisis will also adversely affect industry demand, as business and consumer sentiment remains subdued. Over the five year period to 2014, real industry revenue is forecast by IBISWorld to increase at an average annual rate of 2.5%, due to the continuing sluggish economic growth over the whole period, particularly in 2010. This will affect the growth in household disposable income and, therefore, consumer expenditure industry services. Over the same period, industry employment is expected to increase slowly, directly relating to slower growth in industry revenue and continuing industry consolidation, largely by major players. Due to sluggish growth in industry revenue and employment, industry profit is only expected to improve from 2011 onwards, as continuing price-based competition reduces margins.

The emerging industry trends are expected to lead to continuing franchising and further significant consolidation, with the largest operators acquiring middle-ranked companies in new regions. Over time, the expansion of these operators internationally may also occur. Major companies may continue to establish strategic alliances with other household and business service providers to increasingly offer a completely packaged or bundled service on an outsourced basis to major clients. The industry may, however, have to contend with increased government regulations on the use of pesticides and herbicides, and on general and noise pollution. There may also be stricter occupational health and safety regulations, which may require more formal, short course training programs. The industry will, however, always remain largely small business, with very low barriers to entry and continuing price-based competition at the lower end. Profit margins will remain low for most of these operators.

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	Revenue \$ Million	Growth %
2010	49,928.0	-4.7
2011	53,273.0	6.7
2012	55,511.0	4.2
2013	57,176.0	3.0
2014	59,234.0	3.6

Factors Influencing the Industry

External Drivers of Change

The key sensitivities affecting the performance of the Landscaping Services industry include:

Business Outsourcing - Gardening Services. The outsourcing of landscaping services by businesses is an area of growth. The bundling of services including security, catering, maintenance and landscaping services as part of outsourced contracts to major corporations is also increasing.

Consumer Sentiment Index. Changes in consumer sentiment impacts directly on discretionary expenditure by households, including on landscaping services.

Environmental Protection - Use of Chemicals - Landscaping Services. There is a ban on the use of chemicals with chlorpyrifos, as it has been identified as a chemical which should not be used under the Food Quality Protection Act. Other chemicals are being constantly tested.

Households in Income Group - Highest Quintile. The highest income households have a greater propensity to use landscaping services on a regular basis.

Per Capita Disposable Income. Changes in real household disposable income which is affected by changes in interest and tax rates as well as employment growth (and particularly since 2008 the spike in unemployment), has a direct effect on the demand for landscaping services.

Residential Buildings - Value of Construction. Increase in the supply of new residences is important for expanding the market demand for termite protection services.

Key Success factors for operators in the industry

- **Ability to compete on tender.** For larger firms the ability to compete for contracts and tenders from business and governments is important.
- **Providing services to groups with high disposable income.** In the residential segment, to specifically target the high income households.
- **Access to multiskilled and flexible workforce.** To be able to access a large pool of available labor which can be trained and used on a seasonal basis.
- **Appropriate climatic conditions.** To be aware of the effect that climatic changes, events and seasons can have on the business
- **Use of high volume/low margin strategy.** To be aware that the industry can deliver high revenues, but low net margins and to be able to adapt and respond to this.
- **Effective quality control.** To ensure that the standards are consistent and always to the client's satisfaction
- **Ability to quickly adopt new technology.** To use suitable technology which boosts labor productivity.
- **Ability to alter mix of inputs in line with cost.** With price competition being significant in this industry, it is important to monitor and control costs and to boost labor productivity.

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Market Characteristics and Industry Conditions

Market Characteristics	Level	Trend
Competition	high	
Industry Exports	low	increasing
Industry Imports	low	steady
Life Cycle Stage	growth	

Industry Conditions	Level	Trend
Barriers to Entry	low	steady
Level of Assistance	low	steady
Volatility of Industry	low	

THREATS - Per Capita Disposable Income

Changes in real household disposable income which is affected by changes in interest and tax rates as well as employment growth (and particularly since 2008 the spike in unemployment), has a direct effect on the demand for landscaping services. Over the five years to 2014, IBISWorld forecasts that per capita disposable income will grow by 1.5% to \$35,308.

OPPORTUNITIES - Business Outsourcing - Gardening Services

The outsourcing of landscaping services by businesses is an area of growth. The bundling of services including security, catering, maintenance and landscaping services as part of outsourced contracts to major corporations is also increasing.

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EXTERNAL IMPACTS

Issue: The highest income households have a greater propensity to use landscaping services on a regular basis.

Question: **Has the demand from the highest income households changed in view of the recent recession conditions? What proportion of your revenue relies on the highest income households? What processes are involved to attract and retain such clients?**

Issue: There is a ban on the use of chemicals with chlorpyrifos, as it has been identified as a chemical which should not be used under the Food Quality Protection Act. Other chemicals are being constantly tested.

Question: **How has the banning of chemicals with chlorpyrifos affected this business? How does this company navigate around difficulties that may arise from the banning of chemicals? What does this mean financially for the company? What alternative tools can your company use if chemicals you currently use are banned?**

Issue: Increase in the supply of new residences is important for expanding the market demand for termite protection services.

Question: **Does this company specialize in particular areas such as residential properties? How is demand for this company's services affected by the supply of new residences?**

INTERNAL MANAGEMENT ISSUES

Issue: For larger firms the ability to compete for contracts and tenders from business and governments is important.

Question: **How does this establishment go about competing for contracts from business and government? Does this company have the ability to compete on tenders? How does this company aim to remain competitive?**

Issue: To be aware of the effect that climatic changes, events and seasons can have on the business is a key success factor

Question: **How does this company fare during climatic changes, events, seasons, and economic downturns? Are there opportunities for the business to capitalize on different climatic conditions? Does this company specialize in particular conditions? Does this company have the capacity to quickly adapt to changes?**

Issue: To use suitable technology which boosts labor productivity is important

Question: **Is this company able to adopt new technology quickly and in a cost effective manner? What technologies are utilized at this company that boost labor productivity? How does this company keep up to date with the latest technological developments in the industry?**

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