



## SNOW CONTRACTORS MAY SEEK GROWTH OPPORTUNITIES HEADING INTO WINTER 2019-20, BUT THE LACK OF LABOR COULD HOLD THE INDUSTRY BACK.

**R**emember the good old days ... during the Recession of 2008. Today, many snow and ice professionals look back on that time fondly because the dip in the US economy provided this industry with a surplus of available labor. People were eager to work.

Fast forward a decade and the professional snow and ice industry needs people – desperately. Nearly every contractor is trying to crack the code on how they’ll get fully staffed for Winter 2019-20. They’re holding open-house events, scouring social media and offering financial incentives to secure not only frontline sidewalk crews, but plow truck drivers, loader operators, and even crew supervisors.

For seasoned snow contractors like Brent Teddy, the presi-

dent of Teddy's Lawn & Landscape in Livonia, Mich., each season seems to be a bit more challenging to find enough bodies to fully populate his winter operation.

“It’s crazy,” Teddy says. “Sure, we need shovelers for sidewalk work, but we’re also trying to find good area managers, too.”

Even with a cooling of the US economy and an upward adjustment to the unemployment rate, snow contractors must realize that there’s been a fundamental change within the workforce and things may never return to how they once were, says Fred Haskett, head harvester at The Harvest Group and regular Snow Magazine contributor.

“I was talking to someone the other day who said they looked forward to the [next] recession so that they would have



[an available labor pool] again,” Haskett says. “I looked them right in the eye and said: ‘Ain’t gonna happen.’”

“If we don’t recognize what has happened and begin to change our ways, even if we do have a recession or [an economic] correction and unemployment goes up three to four points, that workforce isn’t coming back unless we change our ways.”

Brad Caton, founder and CEO of Invictus Professional Snow Fighters, which operates in both Vancouver and Seattle, treats attracting and retaining labor as seriously as he does sales. Dealing with the labor question is a full-time endeavor at the company, this full-time procurement approach alleviates much of the preseason stress contractors have to manage when staffing their winter crews

“If you can put in the effort than this shouldn’t be a problem,” Caton says. “The [available labor] is out there. You just need to get to them before someone else does.”

One recent trend Teddy has observed is labor looking for long-term financial commitments from snow contractors, which is forcing him to consider placing seasonal labor on the payroll as part-time employees to secure them throughout the winter.

“People are living paycheck to paycheck,” he says. “And if you can’t pay them [consistently] then they’re out looking ... So, you’re left considering whether to pay them a minimum salary every week in order to keep them.”

Another is competing for workers against other labor-intensive industries that pay temporary seasonal help cash “under the table.” Teddy explains a potential labor pool of laid-off seasonal workers is available, but they prefer to be paid off the books in cash to avoid interfering with their unemployment benefits.

Keeping good operators, drivers and hand laborers has become more difficult in the last few years, says Stacey Hinson, director of sales at Snow Systems in Wheeling, Ill. However, winter’s unpredictability exasperates this labor problem.

“If we have too long of a period with no snow during the winter months, [seasonal workers] lose interest and then are not available when it does snow,” she says. “We have to hope for consistent snowfalls each month to keep them on board.”

Thinking out of the box financially has helped mitigate this problem. In addition to paying a very competitive rate on time, Snow Systems pays seasonal managers a small salary – sort of a small paycheck – to be ready and available.

Financial incentives are key to Invictus’ approach to attraction and retention, as well. Caton says he aims to compensate his service providers with the highest rate possible – around 10 percent more than his competitors are paying in the market.

“This can get tricky, though, because this [compensation] mean a higher price for our customers and

is reflected in our contracts” he says, adding that he’s able to ensure clients that he has the labor force necessary to fully service the contract.

So, how do you bridge this labor gap?

First, recognize what has worked in the past most likely will not work for you in this current labor environment, says The Harvest Group’s Haskett. Contractors need to understand what the priorities are of the workforce that they’ll be engaging with and attempting to secure, whether seasonally or permanently for the long-term.

“What worked 10 to 15 years ago will not work now and won’t work in the future,” Haskett says. “We have to change our ways, and there’s a whole variety of things that need to be done with that.”

In managing labor matters, business owners and managers are, in some respects, swimming against the current because people no longer see a company as a career. Therefore, Haskett advises to start with ensuring you don’t lose your existing key people.

“If you’re putting all of your eggs into the recruiting basket, and you’re not paying attention to the changes you need to make for the long haul, then all you’re doing is continuing the churn,” he says. “You have to focus on what it takes to keep people in place, focused on improving

## INDUSTRY AVERAGE

16	Full-time, year-round
6	Part-time, year-round
25	Seasonal
17	Service Providers / Subcontractors

their job skills, to keep them happy and provide them a with a good positive experience. This will not only help with retention, but also with

recruitment.”

Many snow contractors feel pressure to use premium wages as a means to secure not only full-time labor, but also seasonal workers. While wages have been on a steep incline, Haskett warns snow contractors that, at the end of the day, it’s not just financial compensation.

“It’s not all about money,” he says. “It’s about experience and engagement.

“If you’re not working on the cultural aspects [of your company] and creating a better environment for your people – both existing and future – you can throw a lot of money at a lot of people and it’s not going to give you a solution.”

Haskett suggests snow contractors offer prospective employees a clear career path at their company. This can be done in the form of a documented career ladder, where each rung represents the next level within the organization and what you need to do to successfully reach that level.

“That way you can have a document that says here’s where you’re at today and here are the three to four things you must accomplish to apply for that next-level job,” he says.



# LABOR

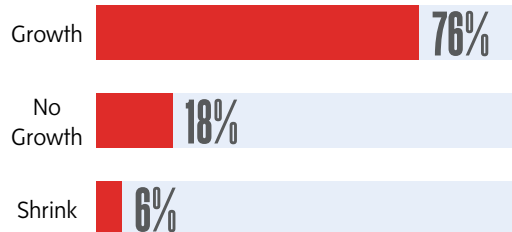
## ATTITUDES TOWARD GROWTH

Surprisingly, those contractors who cite the inability to attract and retain quality labor were not sheepish on their attitude toward growth, with 76 percent of respondents anticipating growth for Winter 2019-20. These figures nearly matched the industry average for anticipated growth.

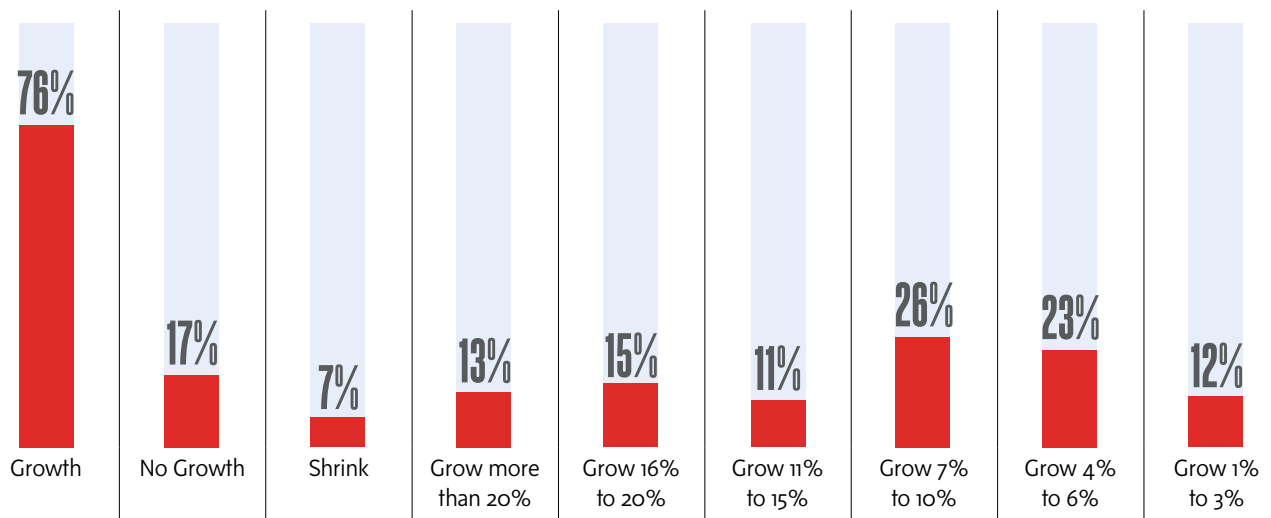
Furthermore, of those companies where labor is the top concern, more than 60 percent anticipate at least 10 percent growth heading into next spring. The “sweet spot” for growth seems to be around 7% to 10%, according to the data.

Surprisingly, 15 percent of this segment of snow and ice professions anticipate growth between 16% and 20%.

## INDUSTRY AVERAGE



## LABOR CONCERNED CONTRACTORS



## METHODOLOGY

### How we conducted the research

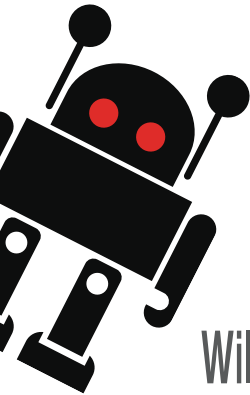
Beginning in August, to best benchmark and identify industry-wide trends from the previous winter, Snow Magazine conducted its 2019 State of

the Industry research via SurveyMonkey, an online survey portal. Snow Magazine queried professional snow and ice managers from throughout the

United States and Canada who were pulled from its circulation list. In addition, Snow Magazine interviewed a number of additional professional snow and

ice managers to gain first-hand insights on the challenges and trends that comprised Winter 2018-19 and would influence trends in Winter 2019-20.





## ROBOTIC FUTURE

Will invest in equipment that will allow me to use less labor in snow and ice management.

Not surprising, but more than 80 percent of respondents who indicated labor as their top management worry also indicated they would be susceptible to acquiring labor-saving equipment into their snow and ice

management operation. That number is 5 percent higher than the industry average, according to the data.

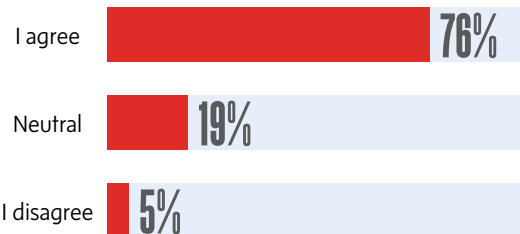
This robotic era may be upon us. Michigan snow contractor Brent Teddy says he's already see-

ing robotic mowers in the landscape industry, and there are some companies introducing robotic versions for snow and ice management work.

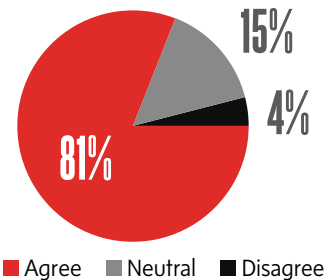
"What I've seen is mostly geared toward sidewalk work, so

we may only be a few years away from autonomous [robots] handling this aspect of site work," Teddy says. "However, I think we're probably light years away from automated plow trucks clearing parking lots."

## INDUSTRY AVERAGE



## LABOR CONCERNED CONTRACTORS



## CULTURE

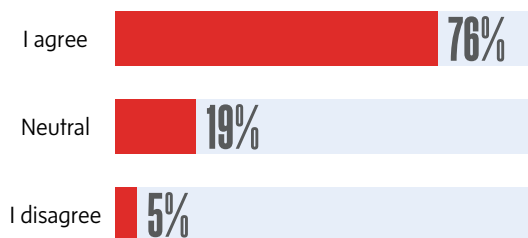
Management experts suggest company culture has a direct impact on your ability to retain not only key employees, but everyone in your ranks down to the newest individuals on the shovel crew. Fred Haskett, head harvester at The Harvest Group, advises snow contractors need to dedicate time to become well versed on the priorities of not only their existing workforce, but of those they're seeking to hire.

"Engagement is a big thing with the current labor force," Haskett says, adding this starts with a well-established and defined company culture. "They want engagement with the companies that they're working for and engagement with their supervisors ... They want a social relationship with their [superiors].

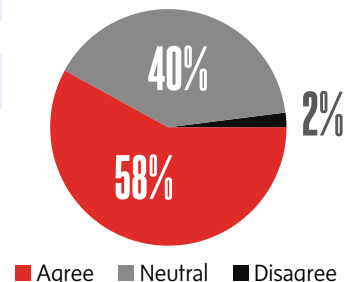
"Therefore, we have to change the way we look at culture and approach it from [the worker's/employee's] point of view," Haskett adds.

I will focus on my company's culture

## INDUSTRY AVERAGE



## LABOR CONCERNED CONTRACTORS





## A DEFLATION OF MARKET PRESSURE

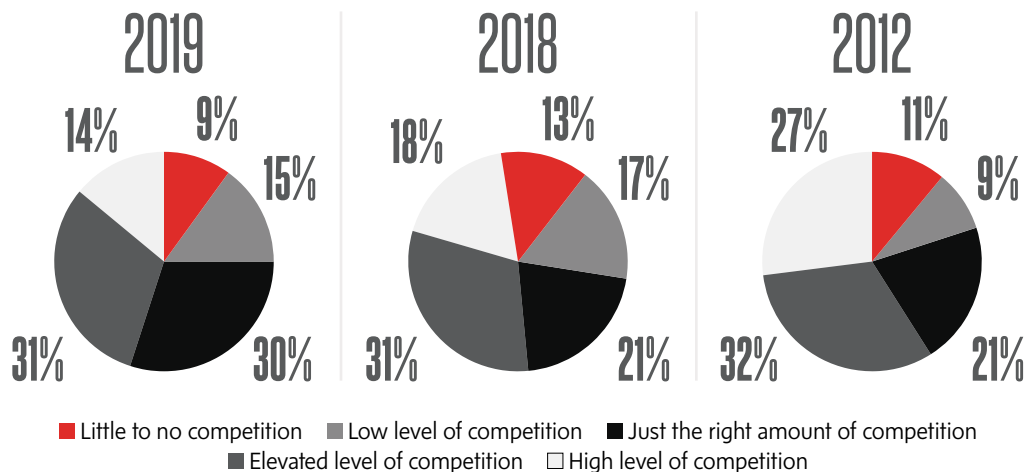
Elevated levels of competitive market pressure seem to be easing some for North American snow and ice management contractors. Accord to recent and historical State of the Industry data, contractors reporting elevated levels of competitive

market pressure have been easing some, with the data reflecting a 25% drop from 2012 to 2019.

And while those snow professionals reporting an improvement in the competitive level in their market didn't necessarily

gain favor at the same rate, the data points to those contractors reporting a health amount of competition in their respective markets as absorbing the difference.

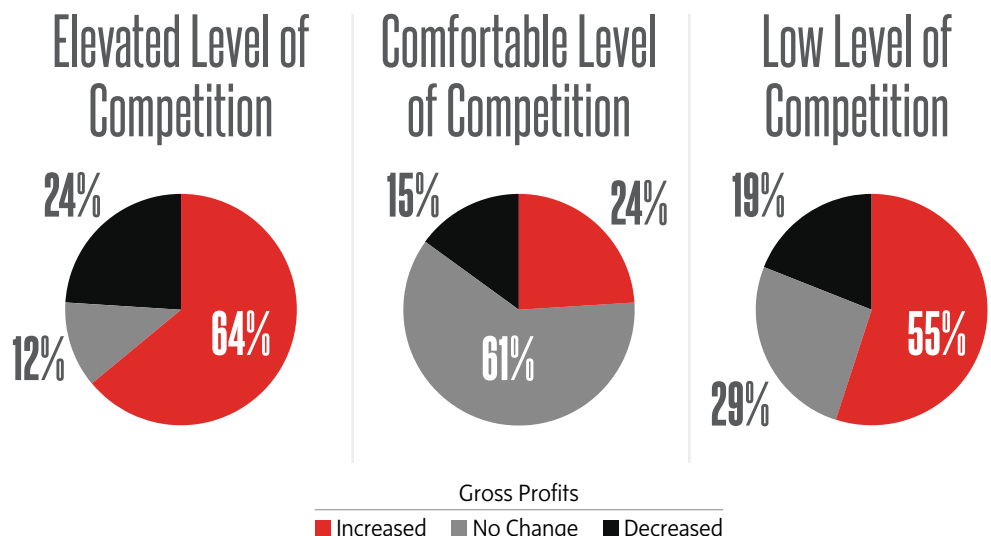
### Competition & Market Pressure for Snow & Ice Management Services



## MARKET PRESSURE'S INFLUENCE

Elevated competition may bring the best out of your snow and ice management operations, or at least may have a positive influence on your bottom line. According to the State of the Industry data, nearly two thirds (64 percent) of snow contractors who reported an elevated level of competition in their markets also reported an increase in their gross profits, and more than three quarters (84 percent) of contractors in elevated markets project increased growth for the 2019-20 snow season.

## MARKET PRESSURE VS GROSS REVENUE





# REVENUE

## GENERATING GREEN FROM WHITE

More than half of snow and ice management contractors reported an increase in winter revenue, with the average gross revenue from survey participants coming in at just over \$2.3 million. And while 42 percent of respondents reported winter revenues in excess of \$1 million, nearly the same amount (44 percent) reported generating less than \$500,000 in gross winter revenue. Overall, participants reported snow and ice made up more than a third (37 percent) of their overall annual revenue, with half of contractors reporting snow and ice work contributed to 50 percent of their annual revenue. Likewise, snow and ice represents three quarter or more total revenue of 20 percent of the participating companies.

## INDUSTRY

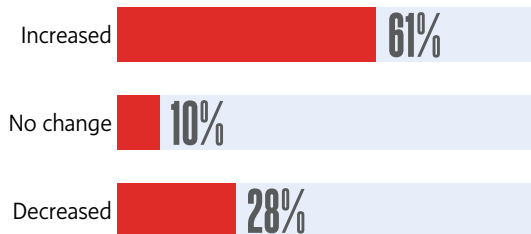
# 37%

of total revenue from snow & ice management

(Note: Figure does not factor in snow only companies)

## GROSS SALES REVENUE WINTER 2018-19 VS WINTER 2017-18

### INDUSTRY

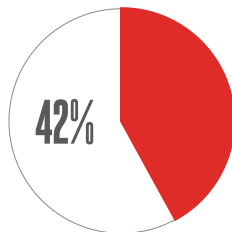


2019 Average Gross Revenue for Snow & Ice Management Services

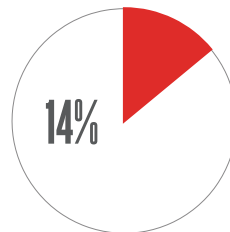
# \$2,362,246

### Average Gross Revenue Breakdown

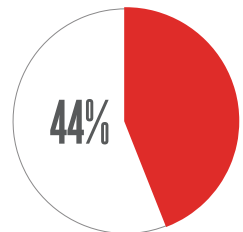
Reported \$1 million or greater



Reported \$500,000-\$999,999



Reported less than \$500,000



### Average Total Revenue From Snow & Ice Management

#### TOTAL REVENUE BREAKDOWN

of contractors	% of Total Revenue
9%	Snow Only
10%	99%-75%
21%	74%-50%
27%	49%-25%
33%	24% or less

#### AVERAGE PROFIT MARGIN

42%	Plowing Services
45%	Salt & Deicing Services
32%	Snow Disposal





# GROWTH

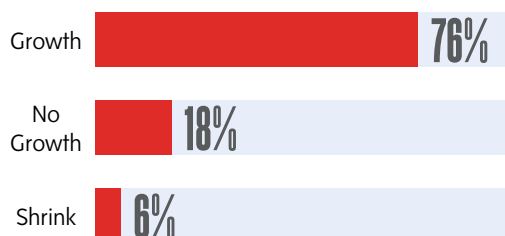
Snow contractors take an optimistic approach to expanding their snow and ice management operations.

Overall, the professional snow and ice management industry is looking to strengthen itself in the coming year, with nearly three quarters of contractors indicating they plan to expand their winter operations this season.

Growth's sweat spot, so to speak, for the coming year seems to be around 7% to 10% growth, with nearly half (43 percent) anticipating between 1% and 10% growth this season.

## ANTICIPATED GROWTH FOR WINTER 2019-20

### INDUSTRY



## Anticipated Growth Rate: WINTER 2019-2020

12%	11%	11%	17%	15%	10%	18%	1%	1%	2%	1%	1%
Grow more than 20%	Grow 16% to 20%	Grow 11% to 15%	Grow 7% to 10%	Grow 4% to 6%	Grow 1% to 3%	No Growth	Shrink 1% to 3%	Shrink 4% to 6%	Shrink 7% to 10%	Shrink 16% to 20%	Shrink more than 20%

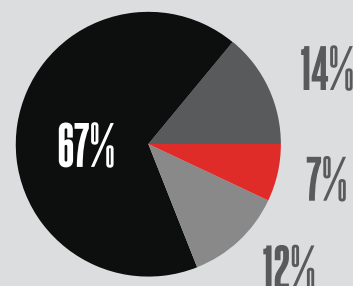
## Hoping For Snow?

An optimistic outlook for growth doesn't necessarily mean anticipating extreme winter weather, according to the State of the Industry data. Overall, the industry hopes/anticipates a return to normal conditions, despite how they see their company growing in the coming year. For example, only 7 percent of positive growth companies reported an outlook consisting of wild wintry conditions. In fact, a small percentage (3 percent) of snow contractors anticipating stagnant growth foresee a winter that is a resounding disappointment and failure. Those snow and ice management contractors anticipating a loss (22 percent) predict above normal winter conditions, with 11 percent gearing up for "extreme" conditions.

## WINTER OUTLOOK

- Extreme winter conditions
- Cooler, more billable events than normal
- Normal winter conditions for my market
- Warm, fewer billable events than normal
- Resounding disappointment and failure

## ANTICIPATE POSITIVE GROWTH

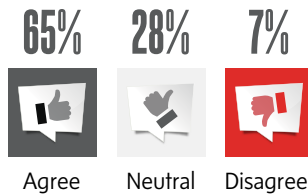




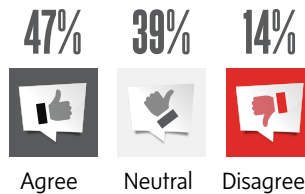
## SHORT TERM OUTLOOK

Snow and ice professionals weighed in on how they felt about growth-related topics and the health of their overall operations over the next five years. For the most part, the majority remain positive with growth on the agenda and general focus on the wellbeing and improvement of their snow and ice operation. While the majority anticipated their markets would become more competitive, nearly an equal number believed competitive pressures would remain stagnant. While a small percent planned to reduce the scope of their snow and ice management operation, and equally small percent believed they would transition to a snow-only company.

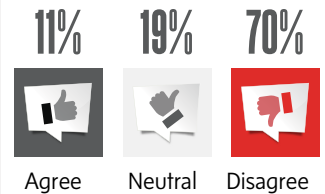
I will grow my snow operations



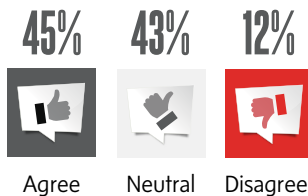
My snow removal operation will become a more important part of my bottom line.



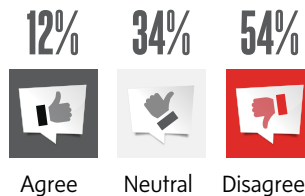
I may become a snow-only company.



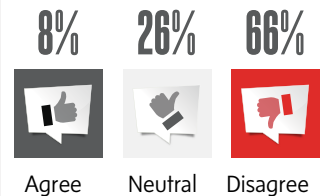
I believe the competition in my market will increase.



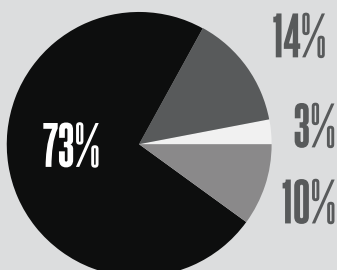
I will reduce the scope of my snow removal operation.



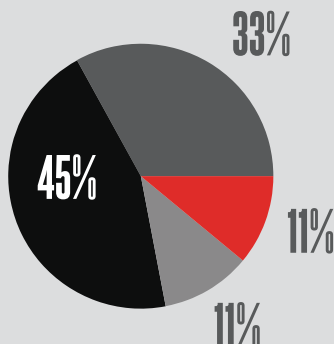
I will sell my snow removal operation.



## ANTICIPATE NO GROWTH



## ANTICIPATE LOSS





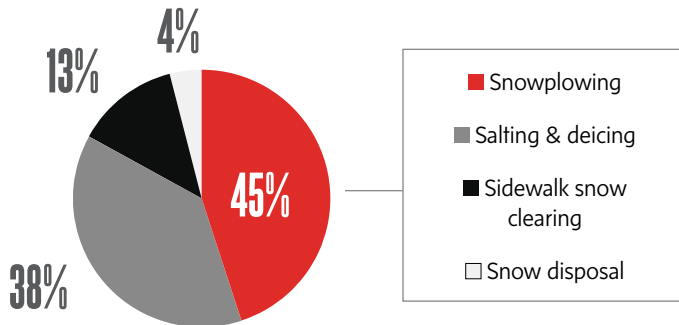


# OPERATIONS

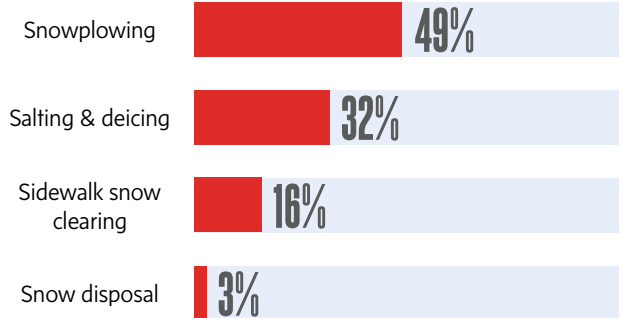
## WINTER SERVICE BREAKDOWN

Overall, plowing remains the now industry's bread and butter revenue-generating service. However, when the date is broken down between companies who more or less depend on winter services for their overall revenue, those that generate less than half of their revenue from winter work rely more on snow removal (50 percent) and sidewalk clearing (17 percent). With companies relying on snow and ice for more than half of their revenue, salt and deicing services, as well as off-site snow disposal are greater generators.

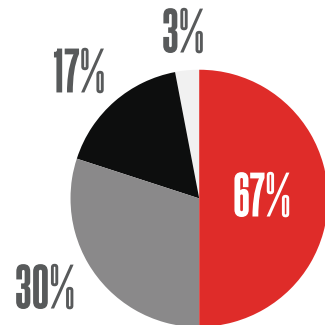
### More Than 50% Revenue Comes From Winter Services



## INDUSTRY AVERAGE



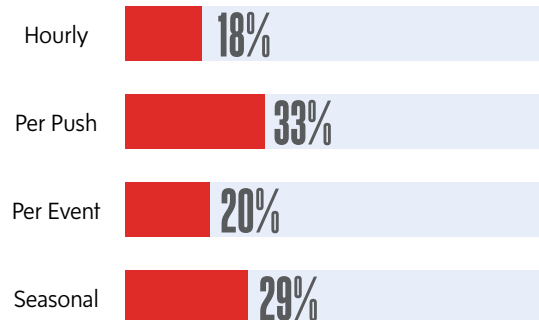
### 50% or Less Revenue Comes From Winter Services



## CONTRACTS

Overall, the industry still prefers a diverse contract portfolio. According to the data, the average contractor has a contract portfolio that is heavy on per push, perhaps reflecting a desire to offset recent seasonal trends. However, companies relying on snow and ice for half or more of their annual revenue preferred seasonal (35 percent) and per-push agreements (31 percent). Those relying less on snow and ice as a revenue generator preferred per-push contracts (34 percent).

## INDUSTRY AVERAGE



AVERAGE NUMBER OF PROPERTIES SERVICED

98

CLIENT RETENTION RATE

93%

### 50% OR MORE REVENUE FROM SNOW

17%	Hourly
31%	Per Push
17%	Per Event
35%	Seasonal

### LESS THAN 50% REVENUE FROM SNOW

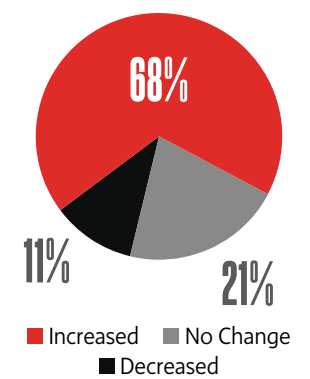
19%	Hourly
34%	Per Push
21%	Per Event
26%	Seasonal

COST OF DOING BUSINESS

SALT

More than two thirds (68 percent) of snow contractors say their cost of doing business is on the rise, while nearly a quarter (21 percent) experienced no change.

Operating Costs Trends



GETTING PAID

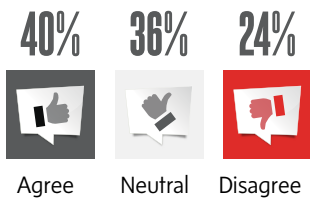
More than three quarters of snow contractors receive payment for snow and ice management services in 30 days or less, according to State of the Industry data. Very few (5 percent) are collecting fees for winter services 120 days or longer.

% OF COLLECTIONS RECEIVED FOR SNOW & DEICING SERVICES

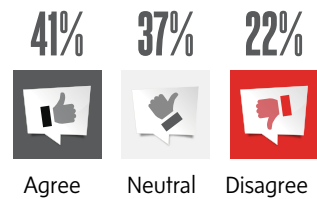
41%	Less than 30 days
36%	30 days out
14%	60 days out
4%	90 days out
2%	120 days out
3%	More than 120 days

Overall cost and securing enough tonnage of rock salt, especially during extreme winter conditions, continue to challenge the commercial snow and ice management industry. We asked snow contractors to consider a few salt-related issues in a five-year outlook.

Elevated salt and deicing material costs will hurt my profit margins.



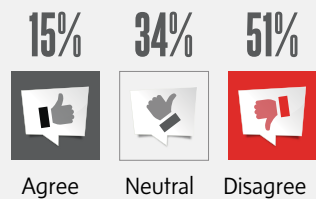
I will increase the use of brine and liquids to increase sustainability and profitability.



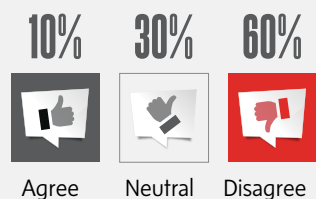
INSURANCE

Securing sufficient liability insurance continues to annoy snow fighters harassed by frivolous slip-and-fall claims. In light of recent efforts to increase awareness of Industry Standards and stress the importance of accurate record keeping, contractors still see insurance companies retreating from the industry. As a result, premiums either skyrocket, or contractors have trouble securing insurance altogether. We asked survey participants to consider a few insurance-related issues in a five-year outlook.

Insurance pressures may drive me from the industry.



I will have problems securing liability insurance.





# WEATHER

## THE FORECAST CALLS FOR...



The inability to get an accurate handle on what winter weather “might” be like for the coming season and further complicates the issues that challenges professional snow and ice contractors the most.

Beth Carpenter, owner and meteorologist at Thermodynamic Solutions, says a majority of respondents are correct – there will be above average and below average events, as well as seasonal events over the course of the next 5 years.

“After all, we get the “average” snowfall for a location based on the 30-year mean,” Carpenter says. “In fact, it’s more likely that seasons will feature either below or above normal, rather than average. We’ll likely always have this fluctuation due to various atmospheric and sea surface states, including but certainly not limited to El Nino and La Nina events.”

Winter outlooks vary greatly across the industry because forecasting is not something that is taught in school, she says. Atmospheric physics and dynamics are taught, but forecasting is a developed

art that each person works out for themselves.

“When looking at seasonal forecasts, there are seasonal weather models, but they generally have low accuracy,” Carpenter says. “This is due to the high number of atmospheric and sea surface variables that are in play, as well as the unknown mesoscale (more localized) features that are influenced by larger scale patterns.”

Carpenter says these climate models are heavily warm-bias, but still lead many novice forecasters to put too much trust into them. Forecasters should be looking at the states of the atmosphere and whether these conditions are coupled with ocean cycles, etc.

“We also create custom analog data based on similar years for temperature and precipitation, and the observed pattern for the current year’s summer and fall,” she says. “Putting all of these things together allows us to create a generalized seasonal forecast, and we can further look into where

storm tracks may set up, what influences will be strongest, and more. There is no cut and dry method for seasonal forecasting, and especially forecasting snowfall for an entire season.

Lastly, sometimes one system will make or break an entire snowfall season’s numbers, she adds. “So, there is quite a bit of uncertainty.

“A big challenge for this winter will be figuring out what we think the El Nino Southern Oscillation (ENSO) will do,” Carpenter adds. “Data has the largest spread that I’ve seen, currently suggesting both the possibility for a moderate El Nino and a moderate La Nina year. Climate model output currently supports near to above normal temperatures (warm-bias, though) with near-normal precipitation across the snow belt.”

It seems the only agreement is that on any given year it will eventually snow, and only a small fraction of snow professionals (8 percent) believe there’s the possibility of a no-snow winter.

