

A SUPPLEMENT TO

Lawn & Landscape®



# SNOW AND ICE

## State of the Industry Report

54

**SOI  
research**

60

**Primed  
for business**

61

**Manage  
expectations**

64

**Call  
in the subs**

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# LOOKIN

## Our State of the Industry

numbers show that this most recent snow season caused an influx of revenue for contractors and the financial future is just as bright.

In April, to best benchmark and identify industry-wide trends, we conducted the 2014 State of the Industry research via SurveyMonkey, an online survey portal. We queried business owners and top managers from throughout the United States and Canada who were pulled from our circulation list. In addition, we interviewed professional snow and ice managers to gain first-hand insights on how the previous winter affected the client relationships, and how subcontractors have been used.

Winter 2013-14 will be remembered as a hectic, but profitable, time for snow contractors that not many predicted. On average, contractors reported that their snow revenue rose from roughly \$690,000 for winter 2012-13 to \$893,914 last winter. Likewise, plowable events for winter 2013-14 rose to 22 (up from 12 events last winter), and deicing events logged in at 29 (up from 19 the previous winter), according to the data.

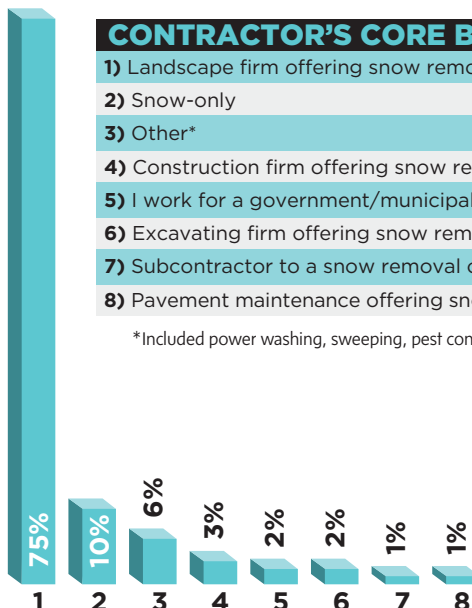
More than half (54 percent) of contractors anticipated winter 2013-14 would be a “normal” winter, with only 10 percent predicting extreme winter conditions. Those surveyed cited the inability to predict the weather as the top business challenge.

Read on to get the lowdown on how the industry fared last season, and where it's headed in the future.

## CONTRACTOR'S CORE BUSINESS

- 1) Landscape firm offering snow removal services
- 2) Snow-only
- 3) Other\*
- 4) Construction firm offering snow removal services
- 5) I work for a government/municipal agency
- 6) Excavating firm offering snow removal services
- 7) Subcontractor to a snow removal operation
- 8) Pavement maintenance offering snow removal services

\*Included power washing, sweeping, pest control and towing companies.



**\$893,914** Average winter 2013-14 revenue

## Snow and ice revenue breakdown



## GROSS PROFIT MARGINS





# G B A C K

## MARKET DECOMPRESSION

**M**arket competition seems to have leveled out coming out of last winter. Just less than half (46 percent) of snow and ice managers report elevated levels of competition in their markets compared to 66 percent the previous year. Likewise, those reporting they had just the right amount of competition increased to 29 percent, an 11 percent increase over winter 2012-13 data.

# 68

Average number  
of winter contracts  
served



# 91%

Average client  
retention rate



## IN THE INDUSTRY

# 22



Average years in the industry



Less than  
10 years



10-19 years



20-25 years



26-29 years

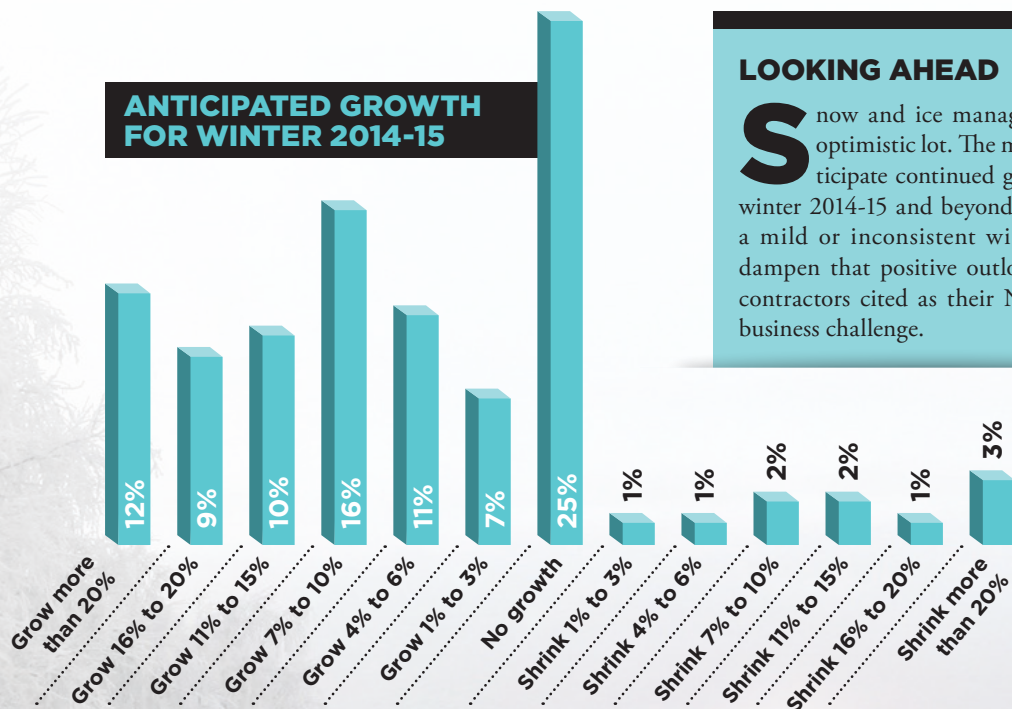


30+ years





### ANTICIPATED GROWTH FOR WINTER 2014-15



### LOOKING AHEAD

**S**now and ice managers are an optimistic lot. The majority anticipate continued growth into winter 2014-15 and beyond. However, a mild or inconsistent winter could dampen that positive outlook, which contractors cited as their No.1 major business challenge.

## TOP 5 BUSINESS CHALLENGES HEADING INTO NEXT WINTER

- 1 A mild or inconsistent winter
- 2 Salt supply and availability
- 3 Losing business to low-ball contractors
- 4 Demanding property owners
- 5 Increasing insurance costs (tied)
- 5 Fuel costs (tied)

## TOP 5 NEW BUSINESS GENERATORS HEADING INTO WINTER 2014-15

- 1 Word-of-mouth referrals/marketing
- 2 Website/enewsletter
- 3 Drop in/cold calls
- 4 Social media (Facebook, Twitter)
- 5 Yellow Pages/phone book listing







# LOOKING AHEAD TO THE NEXT 5 YEARS

 I AGREE

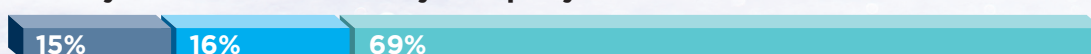
 I NEITHER AGREE NOR DISAGREE

 I DISAGREE

▶ I will grow my snow removal operation.



▶ I may become a snow-only company.



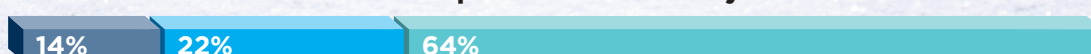
▶ I will sell my snow removal operation.






▶ I will seek more educational opportunities to more effectively run my snow removal operation.



▶ I will hire a consultant to help me better run my business.



We asked contractors if the majority agreed , neither agreed or disagreed  or disagreed  with the statements below.



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



I believe the competition in my market will increase.



I will reduce the scope of my snow removal operation.



I anticipate one or more low-snow, low-event winters.



I anticipate one or more high-snow, high-event winters.



I anticipate there will be one no-snow winter.



I anticipate normal, average winters.



The number of delinquent clients will increase



Insurance pressures may drive me from the industry.





# Primed for business

**The active winter resulted in companies being ready for mergers and acquisitions. By John Allin**



**T**hose who incurred windfall profits from this past winter may get bitten hard by the tax man, and are looking for ways to accelerate expense spending to avoid paying exorbitant taxes.

These companies are perfectly positioned to grow their business by acquiring someone on the opposite end of the spectrum. They may have ready cash to invest and are feeling quite good about how their “systems” worked this past winter.

Those on the opposite end may consider getting out of the snow business entirely. Knowing there are companies out there with cash to spend can be rewarding to the contractor who wants out.

Rick Sippola (Investment Banker and M&A specialist at John Allin Consulting) tells us “This past winter season has positioned many companies to take advantage of M&A opportunities that have become much more prevalent this summer. Many buyers are making strategic acquisitions to grow market share, expand geographically

and realizing synergies such as spreading overhead over a higher sales base,” he says.

So, what can a buyer or seller expect if they enter this arena? Working with a fair and honest broker can make all the difference. This professional will take a few percentage points at the end of the overall transaction as a Success Fee payment for their time and efforts.

They will want some up-front money to cover initial expenses, but this money gets deducted from the Success Fee percentage when the transaction closes. These professionals can guide you through the process of evaluating the business and helping place a fair value on what you have to sell. A good and honest professional will execute a Non-Disclosure Agreement and a document outlining what they will do and what the fees will be.

Preparing a Confidential Offering Memorandum which outlines the company, what is being sold and how the company compares to the marketplace takes considerable time and effort. Keeping all parties at arm’s length so as not to impugn anyone’s integrity is important. The names of the sellers clients

remains confidential and are usually not divulged until a Letter of Intent is signed by all parties. The Due Diligence process can be exhausting but is a necessary part of the overall process.

The buyer wants to be certain they know what they are purchasing. The buyer (or their representatives) digs deep to understand all the data, because once the transaction is completed, the buyer has to live with their own due diligence/information gathering – so they will be thorough.

Negotiating a final Agreement is also important. While lawyers will eventually become involved, it is the rare lawyer who understands the parties actually want to do a deal and their job is to facilitate that process rather than engage in deal breaking activities. Negotiating in good faith is the hallmark of deal making in the M&A arena.

A good M&A professional will also assist in the integration process. Cultures from separate companies are rarely “hand-in-glove” compatible and some work is required to ensure a successful integration. However, if the process works as is designed, selling and/or acquiring a business can be a rewarding and mutually profitable experience. **L&L**

The author is a full-time consultant to the snow industry with over 40 years of experience in snow and ice.





**By January, we had several of our old accounts back that we had lost to other vendors. It will cleanse out a lot of people who aren't qualified to do this type of work."**

– Mark Mazzurco,  
H & M Snow Pros

# Manage expectations

While the type of winter will vary, demanding clients are a constant.

By Hilary Daninhirsch

**L**ast year's harsh winter affected most of the country, and no one felt it more than snow removal companies. Customer demands were at an all time high, resources were limited and snow removal companies were stretched to their limits.

Ensuring customer satisfaction is a priority, and managing customer expectations without losing clients is a fine balance.

Many of Tom Canete's clients are large scale, including malls and a 24-hour hotel. With those types of clients come substantial expectations. He's found that a surefire way to keep customers happy is to plan ahead.

Canete, owner of Canete Snow Management in Wayne, N.J., was one of the only snow contractors in his area to have a supply of salt after a 13-inch blizzard slammed his area just before the Super Bowl this past winter. And that was a good thing because one of his clients is MetLife Stadium, the playing field for

last year's big game. Canete says he contracted with an out-of-state company for salt and keeps it in a storage facility.

Even though he had to pay a marked-up price, the money spent was well worth it. "No one could get salt, but I got it. I take care of my salt vendors quickly," Canete says. That, in turn, translates into happy customers. "You have possible slip and falls if you run out of salt. That's a bad situation," he says.

Every so often, if a client has unreasonable expectations or demands, a snow contractor might have to cut someone loose. Canete is considering not renewing with a condo complex that is very difficult to plow as cars never seem to move out of the parking lot, and a lot of refreeze affects the area due to the lack of sun. However, if Canete were ever forced to do so, he'd wait until the end of the season rather than leaving a customer in a jam. To keep clients happy year-round and make sure





everyone's expectations are on the same page, Canete conducts an in-person wrap-up at the end of the season, going over any issues that may have occurred and, with any luck, renewing the following season's contract.

**IN THE CONTRACT.** After the severe winter, contractors may be wondering if clients will want to change the terms of their contracts. "I think a lot more people may be going seasonal versus per event/push," Canete says.

In 25 years of business, this was the first time that Mark Mazzurco had to plow snow in October. The clients at Mark Mazzurco's \$5 million company, H & M Snow Pros in the Cleveland area, are about 95 percent commercial. Because of the bitter winter, Mazzurco believes his customer's loyalty became even stronger as their eyes were opened up to the real meaning of quality service. For example, clients who may have previously complained of residual slush in their parking lots realized that a little slush was okay when their neighboring businesses were buried in snow.



Mark Mazzurco

He says the harsh winter thinned out a lot of his competition. "By January, we had several of our old accounts back that we had lost to other vendors. It will cleanse out a lot of people who aren't qualified to do this type of work," he says.

That doesn't mean that Mazzurco will honor every request that comes his way. "I've absolutely said 'no' to clients before, if something is not included in their contract. I have to take the safety of my staff into consideration," he says. "That's when you know who has realistic expectations. If your explanation has logic to it, and they don't accept it, you're not dealing with someone who is reasonable."

**WINS AND LOSSES.** Jim Plona is the vice president of sales at Snow Plus, a snow and ice management company that posted more than \$14 million in revenue last year in Carol Stream, Ill., near Chicago. The company deals with many property management companies, and the winter was one of the worst on record with more than 80 inches of snow recorded.

Plona says all of his customers have different needs and demands, ranging from zero-tolerance clients to those who request service after two inches have fallen. But whether the severe winter will affect contract terms in the future remains to be seen.

"I'll write contracts all different ways, per push, seasonal, fixed rate for the winter. It's a gamble. Some



**Some winters I'll win and some winters you'll win. Our goal is to create a long-term relationship, and seasons will all balance out over that time."**

– Jim Plona,  
Snow Plus

winters I'll win and some winters you'll win. Our goal is to create a long-term relationship, and seasons will all balance out over that time," says Plona.

"Everybody was pretty much double budget because we had double winter," he says. Some customers are escrowing funds to pay for next season's services since many went so far over budget.

Even though they have clauses in their contracts that spell out expectations during blizzard conditions, Plona's company tries never to refuse any customer requests.

"We try not to tell anyone 'no.' We understand our customers and their side of the coin as well," he says. "We don't really get requests that are undeniable, though we get a lot of service requests to do things above and beyond what our contract is."

Some examples included digging out customers' trucks and doing service checks inside buildings, pushing water off parking lots prior to it freezing, and even scraping out railroad tracks.

But those extras go a long way in retaining customer loyalty. However, once in a while a relationship doesn't work out. If so, Snow Plus will give the customer a 30-day cancellation notice, but will keep working with them until they've found another contractor.



Tom Canete

**COMMUNICATE.** Perhaps the golden ticket in managing customer expectations, all contractors interviewed agreed, is communication and being open and up front about what can and can't be reasonably accomplished. "We are always available around the clock. During a storm, we are here 24/7 if a customer has an issue or question," Canete says. He advises other snow contractors to be proactive, and if there are any issues, make a report immediately, even before a client calls you.

"I have inspectors whose job is to make sure the guys plowing parking lots are doing the right jobs. It's a free service to the client. That's why our slip and falls are so minimal. We are all over it," he adds.

Canete says his company implemented a four-level storm action plan so it's prepared to meet customer expectations, and employees have mandatory training to make sure everyone is refreshed about job duties. Mazzurco's general advice on managing clients' expectations is to make sure you have a knowledgeable staff. "If someone asks a question, you need an experienced staff member to answer with confidence," he says. **L&L**

The author is a freelance writer based in Pittsburgh.





# Call in the subs

Developing long-term relationships with contractor partners helps snow businesses expand and accommodate challenging service schedules. **By Kristen Hampshire**

**D**uring a major snow event, Reliable Property Services could have up to 600 pieces of equipment on the road, from trucks to tractors and skid-steers. All of the vehicles bear a slick magnetic logo and the company name, but the majority of the fleet is subcontractors.

"We have contractor partners that have been with us for virtually all of our 30 years in business," says Tom Hougnon, COO of the Minneapolis, Minn.-based firm, which was only a winter business until six years ago when it used this sub-force to launch summer maintenance services, too.

Subs are the lifeblood of Reliable Property Services, and the company has the infrastructure, reporting and systems in place to properly manage every aspect of subcontracting from site inspections to invoicing.

Reliable Property Services does more than feed subs winter paychecks. The company invests in its contracted labor, even supporting their equipment purchases by providing steady work to keep new machines busy.

"Our contractor partners are able to purchase more equipment and add to their fleets knowing that for five or six months in the

winter, they have work for that equipment," Hougnon says.

**RAMPING UP.** Heavy snow seasons can be difficult to predict. Persistent, harsh winters like in 2013-14 place greater labor demands on snow and ice management firms. Quality subcontracted labor is just as important as reliable equipment – it's one in the same.

Reliable Property likes to know that subs are dedicated to working for its company, though it doesn't require this. The company requires that subs sign a seasonal agreement, and they are paid on the 15<sup>th</sup> of every month. (Each contract is assigned a dollar amount.)

Subcontractors driving trucks generally do not wear the team uniforms, but those working on shoveling crews are provided with a Reliable Property Services vest. Magnetic logos are placed on subs' vehicles. "Then we know they are one of our partners when they are using our salt sources," Hougnon says.

**CULTIVATING CONTRACTOR PARTNERSHIPS.** Subcontractors recognize the value in supplemental income – and the company contracting their labor gains their expertise. The best subcontracting arrangements are mutually beneficial. Such is the case with Ryan Schaffer, who branched off into a snow venture several years ago, which he works in addition to serving as a lead foreman of All

Phase Landscaping in Quakertown, Penn. Schaffer brings on a few workers to help run his snow business, which essentially serves as a contractor for a larger firm that handles HOAs. Schaffer manages one HOA community for a larger snow management firm, allowing him to dedicate his winter efforts in one location.

This saves drive time and stress, while helping him build his business. (He's hoping to acquire a skid-steer this year.) "I'm at the same site for an entire storm, and there are 215 driveways to do," he says. "So, I'm not running around to different accounts – I'm in one, tight-knit community."

Supporting your subs also means giving them systems to do their best work. Reliable Property Services has a supervisor who oversees team members, including all subcontractors. Site coordinators and sales team members perform inspections on a regular basis. Service report cards are completed. "That way, we know if our contractor partners are fulfilling their jobs," Hougnon says.

Also, an internal system that generates detailed information for each route/site gives subcontractors specific orders. "They know which parking lots get plowed first when a storm is rolling in – we give them as much detail as we possibly can," Hougnon says.

With systems in place and expectations set, subcontractors can help a company expand, and fulfill demanding winter contracts. Underscoring the partnership aspect of this arrangement, Hougnon adds, "Our contractor partner program is helping develop quality professionals in our industry." **L&L**

► For more information on subs, visit [www.lawnandlandscape.com](http://www.lawnandlandscape.com) and search **Call in the Subs**.