

2024 GREEN INDUSTRY OUTLOOK

Contractors

By Kyle Brown

The Irrigation Association survey finds contractors holding steady with moderate growth while finding opportunities for future optimism.

Welcome to *Irrigation & Lighting's* report of the Irrigation Association's 2024 Green Industry Outlook – Contractors. This year's survey is more focused than ever on providing industry contractors with insights on how to prepare for the future and overcome obstacles.

Several questions have changed to get more to the heart of what irrigation contractors are dealing with and their surrounding concerns. The contractors making up the respondent group are a representative sample of contractors in the green industry and a reliable pool for industry trends and correlations. A sincere thank-you goes out to those who took the time to respond to the survey to make this possible.

Contractors faced another year where the work was there if they had the capacity, reined in largely by labor limitations. While many put more effort into finding new ways to bring in employees, it was a season of moderate growth and generally moderate expectations for the future.

Once again, we'd like to thank Heritage Landscape Supply Group for its ongoing support of this project. This year, Heritage provided a DJI Mini 2 quadcopter and a Solo Stove Bonfire fire pit as the two drawing prizes.

Let's get into the results.

*Thanks to Heritage Landscape Supply Group
for sponsoring this year's report.*



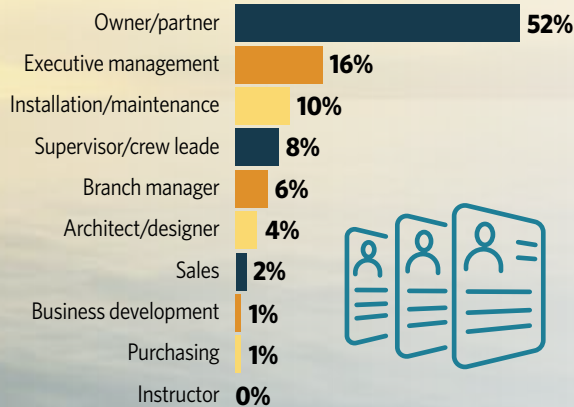
An experienced crowd

Some demographic questions have been refined, but overall trends are consistent with surveys since 2022. Contractors tend to either own or manage the company (68%).

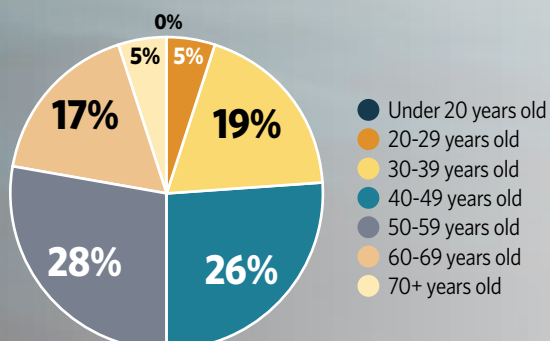
For the third year running, respondents are most often in the age range of 50-59 (28%), with other groups holding steady year over year. While slightly more contractors are between 30-49 (45% compared to 40% last year), younger contractors aren't showing up in large enough numbers yet to shift the results meaningfully. If you're a respondent under the age of 40, you're still often the owner or management (53%), but your chances of working on installation (21%) or as a crew leader (13%) go up significantly.

More contractors tend to have between 21-30 years of personal experience (30%) compared to 26% last year. The largest change in that spread came from the low end, where in 2023, 20% of contractors had 10 years of experience or fewer. This year, that group totals to 15%. It's possible that fewer people with little experience are finding enough opportunity to stick around.

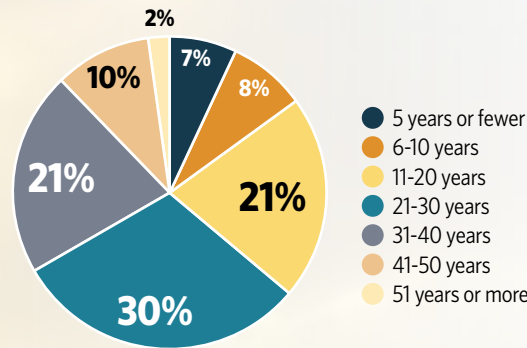
Which of the following best describes your job title?



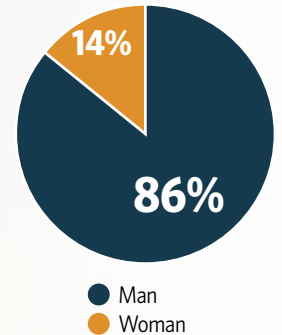
How old are you?



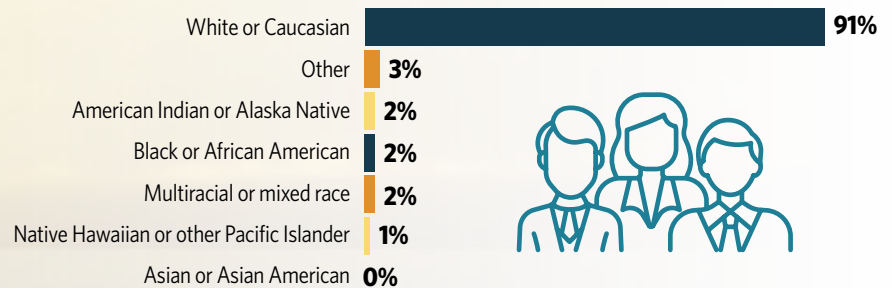
How long have you personally worked in the industry?



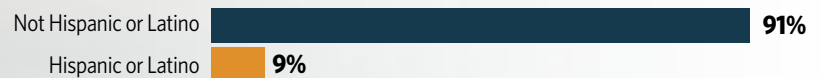
What is your gender identity?



What is your race?



What is your ethnicity?



METHODOLOGY

The 2024 Green Industry Outlook Survey – Contractors was developed in SurveyMonkey with three email invitations including individual, anonymous links sent to respondents between Sept. 7 and Sept. 22. Responses gathered were checked for duplicates and relevance to the survey. Each invitation included information on the drawings for a DJI Mini 2 quadcopter drone or a Solo Stove Bonfire fire pit, provided by Heritage Landscape Supply Group. Survey results were closed Sept. 22 with 324 responses. *Irrigation & Lighting* staff analyzed the survey results. All comparisons to previous surveys were made using only contractor respondents to improve correlations. All questions related to revenues specified an end date of June 30, 2023, and are related to information relevant to the past year. The goal of the survey is to help irrigation contractors assess their own performance. The survey did not ask for any pricing information or other future forecast information and is not intended to enable respondents or Association members to engage in price fixing or anti-competitive activities. The results must not be used, analyzed or reverse-engineered for any such purposes. Only the Irrigation Association has access to the raw survey data. Participation in the survey was voluntary and open to members and non-members of the Irrigation Association.

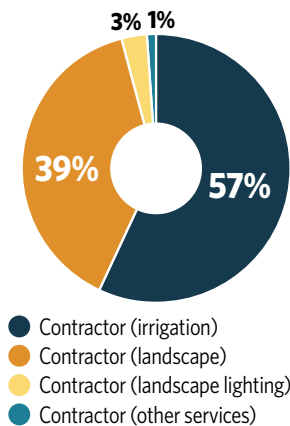
A steady structure

Overall, respondents consider themselves to be irrigation contractors (57%) as compared to other types, although nearly all respondents (90%) offer irrigation maintenance and many (81%) offer irrigation design and installation. About a 14% gap separates that result and the next highest of smart irrigation system upgrades (67%). If they have to pick one, respondents tend to think of irrigation as their primary market (54%) with landscaping taking up almost everything else (45%).

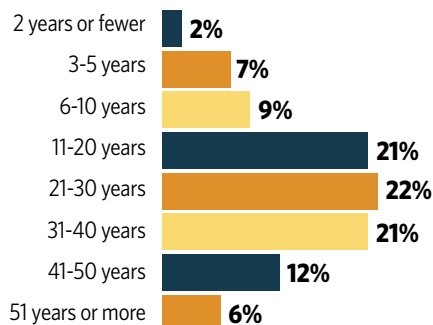
A steady trend has continued since the 2022 report in how long individual businesses have been around. Businesses that have been operating between 21-30 years make up the largest group (22%), exactly the same total as in last year's survey. The total number of businesses that have been operating fewer than five years decreased from 5% last year to 2%, which does line up with fewer younger contractors in the market.

Residential markets are taking the lead again this year for contractors (88%), though commercial isn't far behind (82%), and most contractors are working year-round (76%).

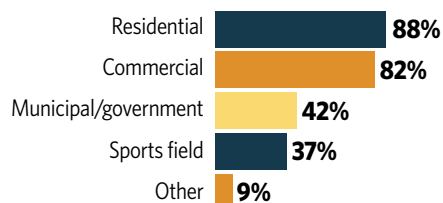
Which of the following best describes your primary business?



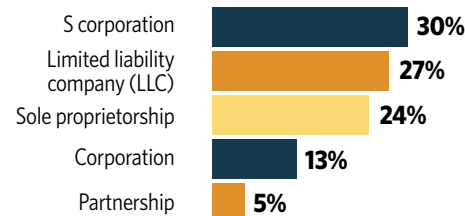
How long has your business been operating?



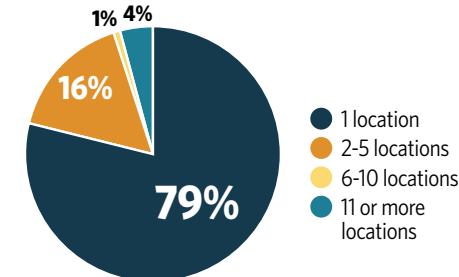
What markets does your business serve?



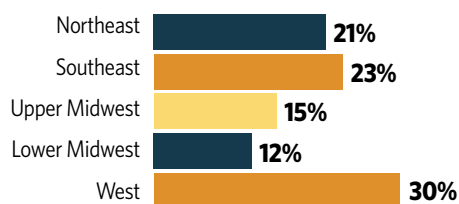
What is your business's ownership structure?



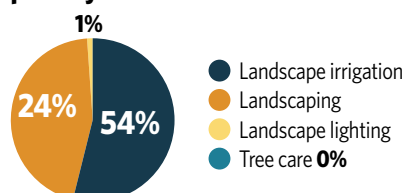
How many locations does your business have?



Where is your company headquartered?



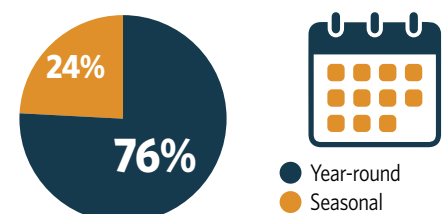
What best describes your company's primary market?



Which of the following services does your business provide?



Are you seasonal or year-round?





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Growth and challenges

More than half of contractors believe that their businesses have had moderate to significant growth in the past year (56%), climbing to 63% if you're a contractor under the age of 40. That follows trends from last year, coming off of another season in which the market has tended to have more work available than the capacity to meet it in some regions. Whether a respondent reported they had enough labor in the past year or not didn't significantly affect this result.

Even more overall (63%) expect that next year's growth in demand will continue, and for contractors under 40, that jumps to 80%. That's showing trust in the market, as most (70%) have projects planned through next June, but not beyond. For contractors under 40, 29% have projects scheduled through the end of 2024.

There's no question what most contractors see as their biggest chal-

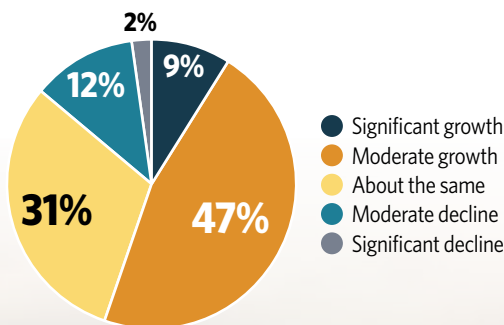
lenge again this year: labor. Discussing barriers to growth, 72% point to labor availability and retention, with a 29% drop to the next highest response, economic conditions (43%). However, respondents who reported having enough labor for the past year led this list with economic conditions (55%), followed by labor (52%) and insurance (31%). Respondents who said they couldn't find enough labor pushed it even higher at 82%, followed by economic conditions (38%).

Labor also leads company expenses (82%) by a wide margin, compared to second place, equipment, tools and materials (37%).

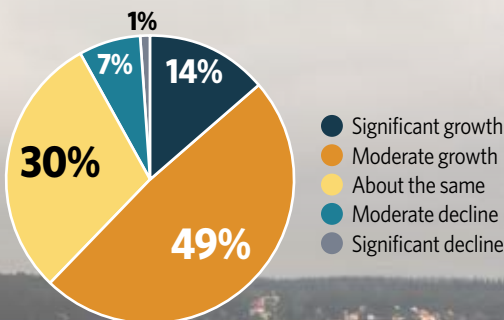
But opportunities are available, as most contractors (54%) expect smart irrigation technologies to impact their growth in the coming year. Irrigation contractors are even more confident, as 71% are watching smart irrigation closely, about 20% higher than their next ranking, remote irrigation system management (47%).

All questions related to revenues specified an end date of June 30, 2023, and are related to information relevant prior to that date.

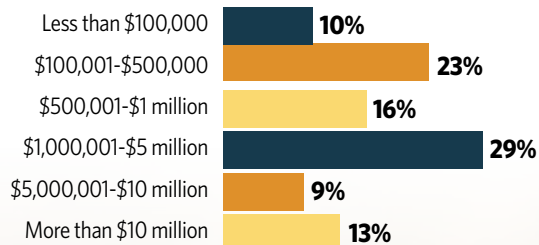
How much do you expect your business has grown in the past year?



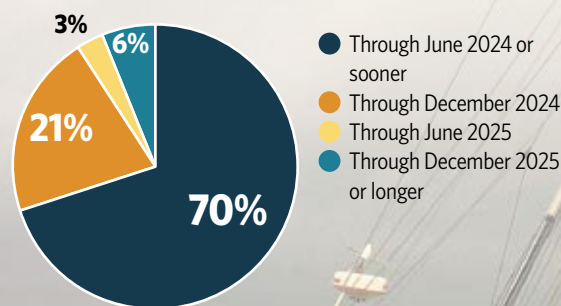
What's your expected growth in demand for your business's services in 2024?



What was your business's revenue for the past year?



How far do you currently have scheduled projects, not counting maintenance/service visits?





What is the biggest opportunity available to your business in 2024?

The continuous additions of new builds and subdivisions with their need for irrigation systems.

Smart irrigation retrofits.

Demand has increased profit margins.

Expanding the maintenance side. Due to lack of available labor, it is possible for us to bid high and pay employees higher rates.

Continued drought and water scarcity.

Saving up enough money to afford construction on our new property.

Training employees to be more efficient so jobs will proceed more smoothly.

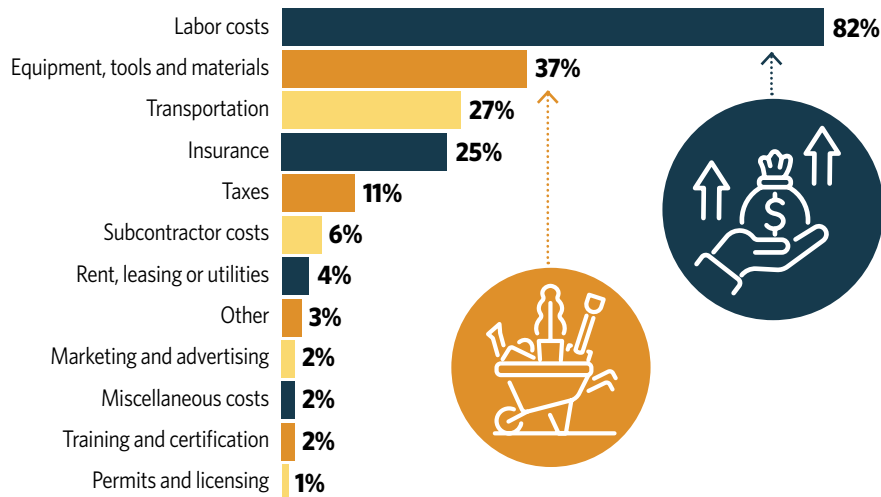
Fewer competitors.

The possibility of taking over a retiring contractor's clients.

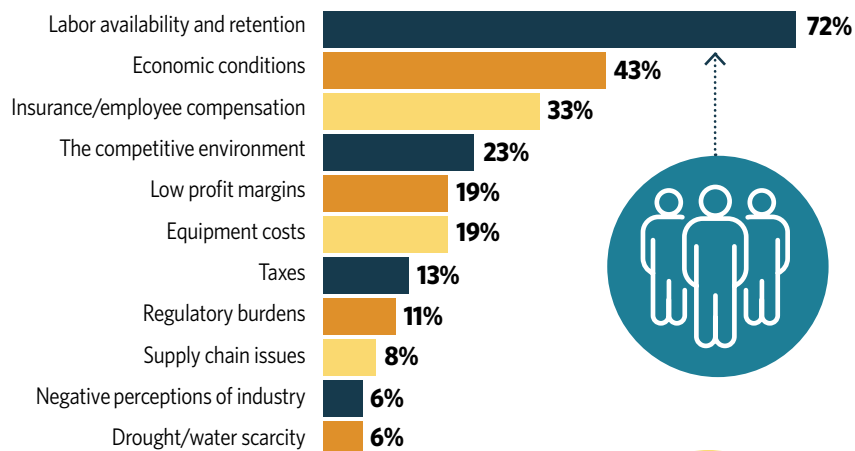
Increased number of service customers and service contracts.

Expanded sales staff. We have more lead opportunities than we can currently follow up on.

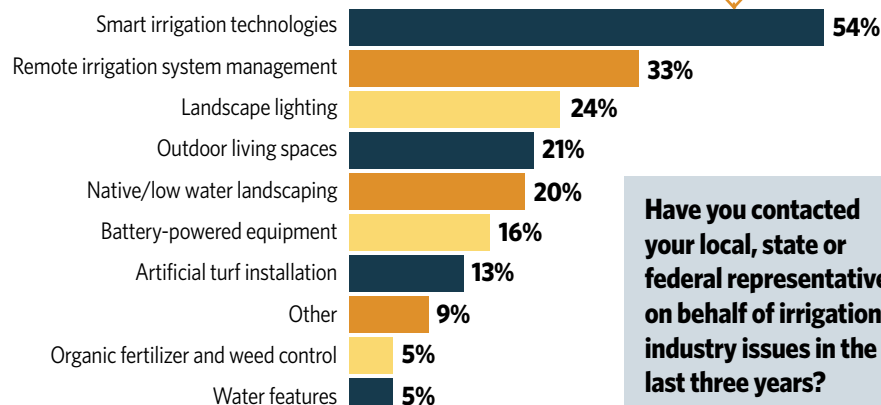
What were your business's two largest expenses?



Which are the top three barriers to growing your business?



Which trends do you expect to impact the growth of your company in the upcoming year?



Have you contacted your local, state or federal representatives on behalf of irrigation industry issues in the last three years?

23%

Yes



77%

No



What is the biggest challenge your business faces in 2024?

Labor, materials and product availability.

Staffing field technicians.

An aging workforce.

The biggest challenge for my business is having the equipment to get the big jobs completed.

Our biggest challenge is always finding technicians with experience.

Getting good leads that lead to big projects.

As usual, it comes down to hiring and retaining quality employees.

Slowing down of new construction in our region.

Competition from other regions.

The time to get jobs done in a reasonable amount of time and weather conditions.

A reliable crew

For the first time in three years, the number of contractors reporting that they're able to find enough qualified workers in their region to meet their needs (29%) has increased by more than 1%. In previous surveys, that number had held steady at about 25% year over year.

For the other group, most tend to say that local wages for similar work are too competitive (37%), before the issue that potential employees aren't aware of career path options (35%). Other responses include a prohibitively high local cost of living for employees.

Some of the biggest changes in this year's survey come from how contractors are trying to bring in new employees and improve and maintain the crew they've got.

That starts with the number of companies reporting a policy or program related to employee diversity (66%) as compared to last year (53%). More are encouraging additional licensing, certification and additional training (96%) over the previous survey's results (87%). Mentorship programs also increased significantly, with 46% reporting them as a part of their practices, up from 36%.

Most contractors offer monetary incentives (77%), and among the other options, a few of the "other" answers shared ideas like paid time off, four-day work weeks and a guaranteed hour minimum. Some also offer a footwear and clothing allowance, free education and training and company

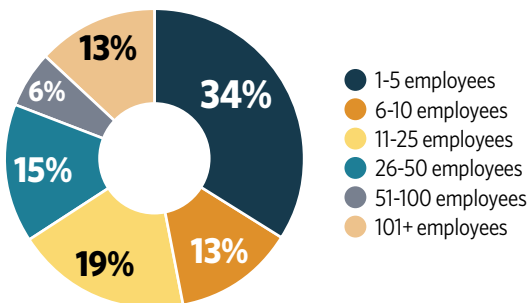


trucks. One of the classics of the industry, team and family barbecues, was also on the list.

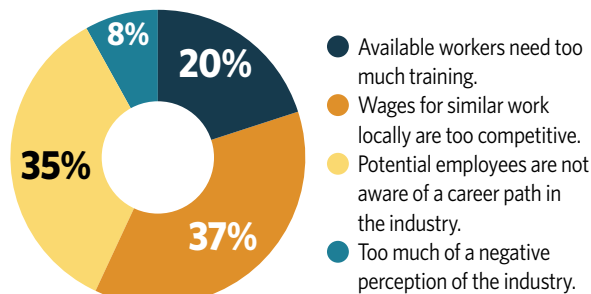
Respondents who report having enough workers bring on at least a few more younger employees generally (89%) than those who don't (84%). They're not significantly different on current diversity of race, ethnicity or gender in their crew, and both groups are similar in their approaches to diversity programs. They similarly encourage employee education and certification and offered very comparable pay and benefits. But for the second year running, respondents who found enough labor are more likely to have a mentorship or career path program (59%) at almost a 20% difference to those who say they didn't find enough workers (41%). Given the data from the last two years, it still seems as though the biggest factor in having the labor needed for the year comes down to showing the potential of a career path ahead.

All questions related to pay and benefits specified an end date of June 30, 2023, and are related to information relevant prior to that date.

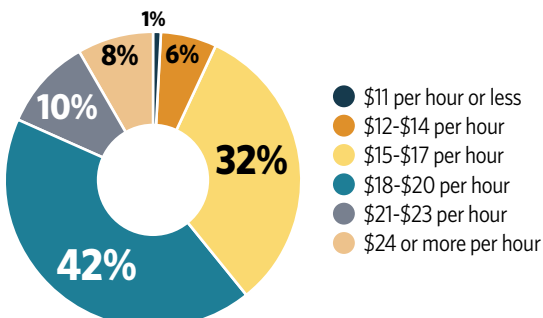
During peak season, how many full-time equivalents are employed by your business?



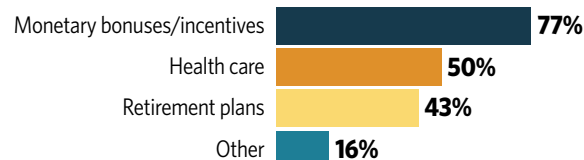
If you're unable to find enough workers, what do you think the primary reason is?



What is your business's approximate starting pay for an entry-level crew position?



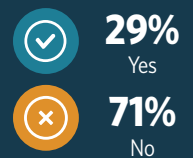
What benefits do you offer to crew members?



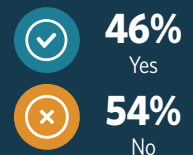
Is your business racially and ethnically diverse?



Are you able to find enough qualified workers in your region to meet your needs?



Have you established a mentorship or career path program for your employees?



A focus on water

For whatever type of contractor they consider themselves, contractors report about 58% of their overall services involve irrigation. Irrigation contractors moved that up to 76%, still giving themselves room to bring in other revenue streams. Even those who describe themselves primarily as landscape contractors reached 34% on average.

Keeping on from last year, demand for irrigation services in general has remained the same (45%) down to the same percentage. Most expect moderate growth (46%) overall.

Almost all respondents say demand is either the same or increased for smart irrigation systems (90%), and even more expect it to hold steady or grow in the upcoming year (97%). Not a single irrigation contractor

expects demand for smart irrigation products to decline in the next year.

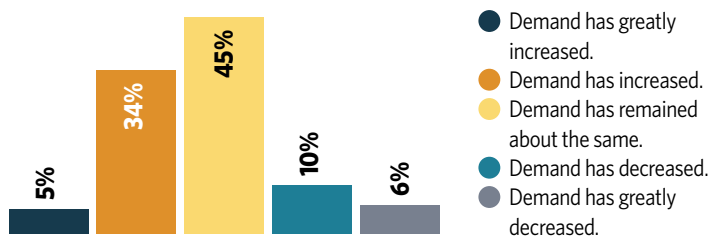
That might partially stem from the fact that only about 1 in 3 customers are using smart controllers currently (37%). This is true even for irrigation contractors, who check in a bit higher (40%) as a group. Even for customers living in areas where water scarcity isn't a widespread issue right now, that could be leaving a lot of money on the table.

The majority of contractors report that water scarcity will either have little impact on their work or create new opportunities going forward (86%). Landscape contractors in particular expect scarcity to create new demand for irrigation products (53%) even more than irrigation contractors (41%).

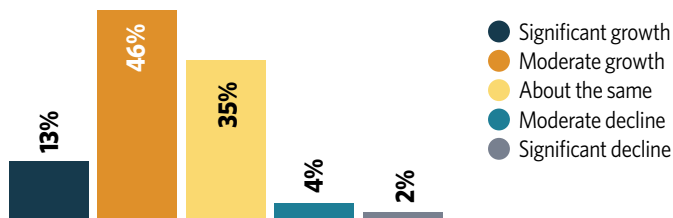
What percentage of your overall offered services are focused on irrigation?

58%

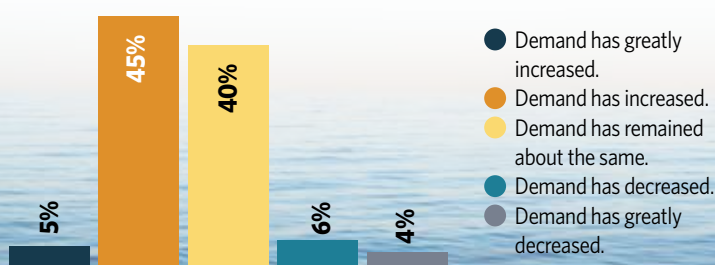
How has the demand for overall irrigation service changed this year compared to last year?



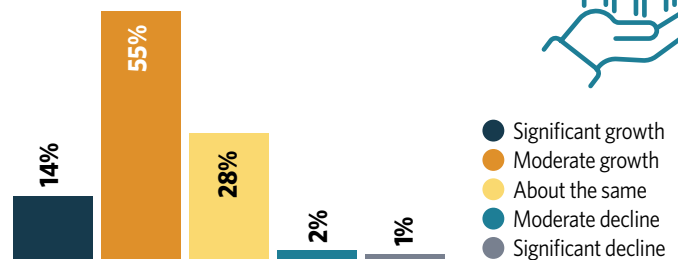
How much growth in demand for irrigation services do you expect in 2024?



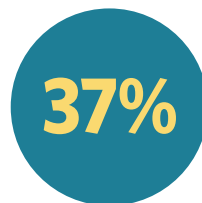
How has the demand for smart irrigation systems changed compared to last year?



How much growth in demand for smart irrigation products do you expect next year?



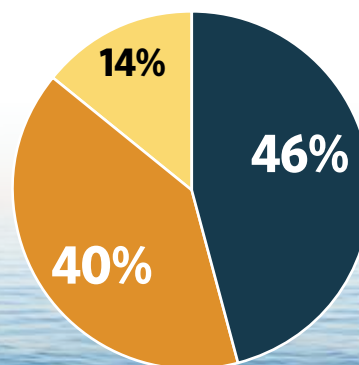
What percentage of your irrigation customers are currently using smart controllers?



What percentage of the irrigation products you install are labeled by WaterSense?

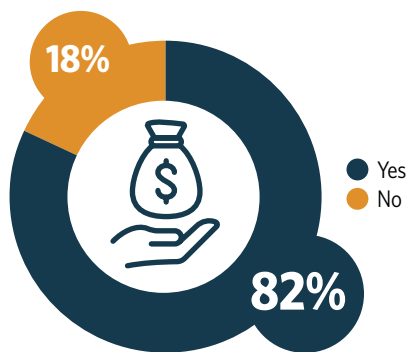


How do you expect local and regional water scarcity to impact your business in 2024?

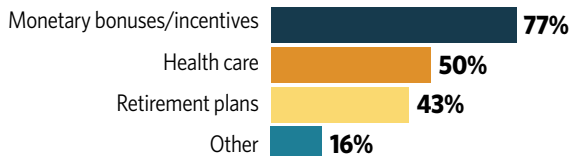


- It will create new demand for irrigation products or services.
- It will have no impact.
- It will reduce demand for irrigation products or services.

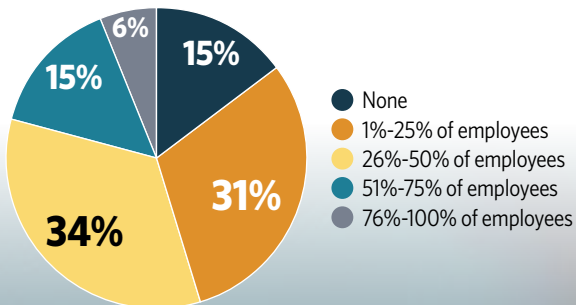
Did you increase your approximate starting pay for an entry-level crew position in the past year?



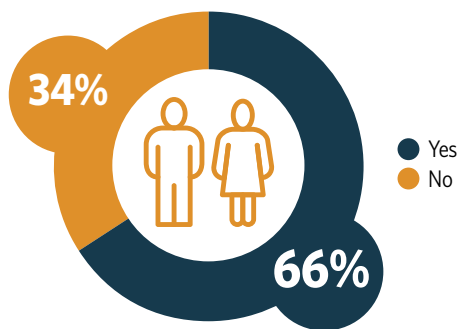
What benefits do you offer to crew members?



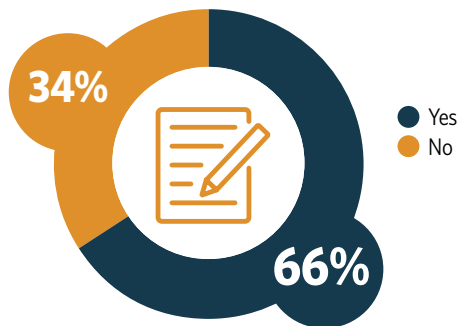
What percentage of your employees are younger than the age of 30?



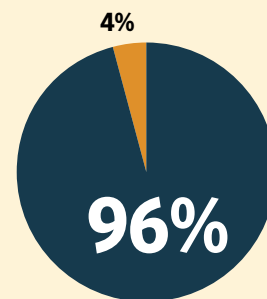
Is your business gender-diverse?



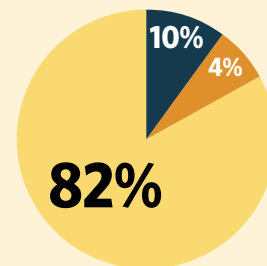
Does your business have a policy or program related to employee diversity, equity and opportunity?



Does your business encourage employees to pursue licensing, certification or additional technical training?



Does your business participate in the H-2B nonimmigrant visa program?



- We utilized the H-2B program in the past season
- We have previously utilized the H-2B program but did not use it in the past season.
- We have never participated in the H-2B program.

The outlook

More than three-quarters (76%) of respondents are optimistic about the future of the industry at least to some degree. As might be expected, contractors under 40 are even more optimistic (94%) than the general group. No one in that age range was pessimistic about the future of the industry.

In general, contractors aren't looking to add new services in the upcoming year (33%). If they are, smart irrigation system upgrades top the list (25%), with landscape lighting right behind (24%).

The majority of respondents aren't planning on reducing any services for the upcoming year (77%). The few that are will typically be looking at lawn maintenance (6%) or snow and ice management (5%) as the most likely to go.

As far as investments in equipment and services go, the top three haven't changed from last year. Trucks still lead the list (46%) at nearly the same percentage, with construction equipment (35%) and battery-powered equipment (30%) within 4% of their totals from last year.

Kyle Brown is the editor-in-chief of *Irrigation & Lighting* and can be reached at kylebrown@irrigation.org.

What is the main reason for your level of optimism?



👍 I have seen some great innovations and products in the field over the past few years.

👎 Economy and recession have significantly reduced the residential market demand.

👍 Folks are more aware of the importance of their lawns.

👎 Too many watering restrictions.

👍 The level of growth in our economic area is still at a peak.

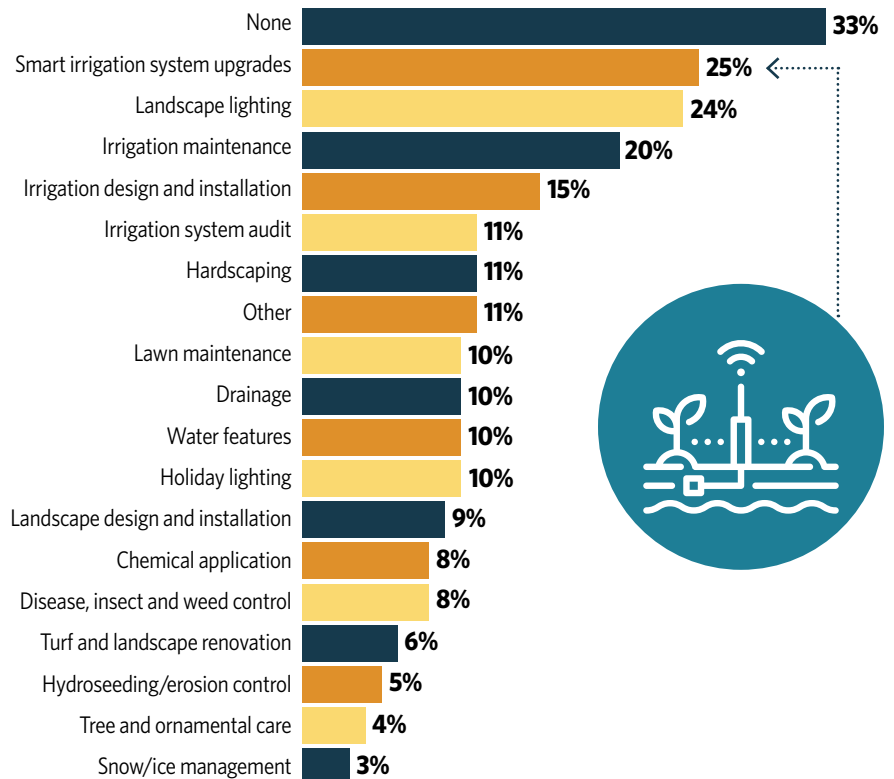
👎 The lack of qualified workers at all levels of the irrigation field.

👍 The mean age of the customer base seems to be lowering. They are "ga ga" for gadgets and Wi-Fi controllers are fun.

👎 Quality help is harder to retain each year.

👍 We will be the industry leading the way in water conservation.

Which services is your business considering expanding or adding in 2024?



How optimistic are you about the future of the irrigation industry over the next 3-5 years?

