

2010

STATE OF THE INDUSTRY REPORT

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THE 2010 STATE OF THE INDUSTRY REPORT

Winter 2009-10 reinforced one important lesson
with snow contractors –

**EXPECT
THE
UNEXPECTED.**



EXPECT THE UNEXPECTED

Winter 2009-10 served up a few surprise curveballs for the industry, but for the most part contractors hit them out of the park. By Mike Zawacki

Looking back on Winter 2009-10, and in discussing it with contractors throughout the North American snow belt, it's fair to say that, while not as spectacular as Winter 2008-09, it was still another pretty solid season for the professional snow and ice removal industry.

First, it exceeded many contractors' expectations. Heading into Winter 2009-10, according to *Snow Magazine* State of the Industry research, more than half (55 percent) of snow fighters were planning for normal winter conditions and nearly a quarter (23 percent) were preparing for a warm winter with fewer workable snow and ice events.

While spotty at times, overall, winter produced a fair number of workable snow and ice events throughout the snow belt, with nearly half (47 percent) of contractors reporting an increase in their total gross sales revenue this past winter. Likewise, they remain optimistic that this revenue boost will carry over into next win-

ter with nearly three quarters anticipating some percentage of growth heading into Winter 2009-10.

The average contractor

Based on this past winter, what did the typical snow removal contractor look like? *Snow Magazine's* research portrays the typical snow removal contractor as the owner and/or president of a landscape firm (60 percent) who's been in the snow removal business for nearly two decades (19 years). He maintained a gross profit margin of around 39 percent last winter and depended on snow and ice removal for more than a third (42 percent) of his company's overall annual revenue.

The average snow contractor oversaw a client portfolio of between 75 and 90 clients and maintained a client retention rate of 91 percent. The average contractor's winter sales came from 25 percent residential snow removal contracts, while 71 percent from commercial/industrial work and 4 percent stemmed from government contracts. Further, 54 percent of his total snow removal revenue came from plowing, 28 percent from salting and deicing, 12

How are you generating new business?

84%	Word-of-mouth referrals/marketing
36%	Drop in/cold calls
29%	Web site/e-newsletter
25%	Yellow Pages
20%	Print advertising
15%	Direct mail
13%	*Other
11%	Referral reward program
6%	Telemarketing
5%	None
4%	Door hangers
3%	TV/Radio advertising
2%	E-post cards

percent from sidewalk and walkway clearing and 6 percent from snow removal or off-site disposal. The typical snow removal contractor has 8 full-time and 13 part-time/seasonal snow fighters on staff and employs as many as 14 subcontractors who cleared, on average, 12 plowing and 16 ice mitigation events.*

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What educational resources do you use?

86%	Trade magazines
70%	Internet
69%	Other contractors
45%	SIMA
36%	Dealers
34%	Conferences
33%	Books
12%	Consultants
4%	*Other

AT A GLANCE

During the first quarter of 2010, *Snow Magazine* surveyed snow and ice removal contractors throughout the United States and Canada on benchmarks and important issues from Winter 2009-10. Through Survey Monkey, *Snow Magazine* surveyed 300 snow and ice maintenance professionals from its subscription list. In addition, *Snow Magazine* interviewed a number of snow contractors to gain additional insight into business trends from this past winter, as well as what they anticipate will be professional and industry challenges in Winter 2010-11.

BUSINESS FACTORS

Top 5 negative factors influencing profitability during Winter 2009-10

1. Low-ball competitors
2. Too few snow events
3. Fuel prices
4. Delinquent clients
5. Salt prices

Top 5 positive factors influencing profitability during Winter 2009-10

1. Consumer confidence
2. Too many snow events
3. Too many icing events
4. Salt supply
5. Overall weather

Source: Snow Magazine research

Word-of-mouth referrals (84 percent) continue to be snow contractors' most popular new client generation tool. What's interesting, though, is that the use of Web sites and e-newsletters (29 percent) has gained considerable favor with snow contractors and has surpassed the tried-and-true standby of advertising in the Yellow Pages (25 percent) for the first time. In comparison, according to last year's State of the Industry report, only 20 percent of contractors were using Internet tools and 30 percent were relying on the Yellow Pages to generate new business.

Check out the *State of the Industry Online Extras* at snowmagazineonline.com for an exclusive article on how to do Web marketing the right way.

Source: Snow Magazine research

JOHN ALLIN'S ANALYSIS

Here are four thoughts on this year's State of the Industry research.

1I had not expected that the overwhelming first choice for becoming more educated would be through trade magazines with the Internet coming in second, which I expected to be the favored venue. Over the years I have witnessed the industry become more sophisticated, and there is little doubt the Internet has had a profound effect on this trend. Trade publications and the Internet being ranked so highly bodes well for the snow removal industry.

2It was no surprise that well over 50 percent of the respondents are in the landscape business in some fashion, and performs snow services as part of their service offering. Some of the landscape-based associations believe all snow removal is done by landscapers. That's just not true. While almost all landscape contractors in the snow market do snow clearing, not all snow clearing is done by landscapers. Some of the very largest snow contracts in the country are done by pavement maintenance companies and/or excavation/dirt contractors. However, I don't believe these snow contractors are growing in sophistication as quickly as their landscape colleagues. This is unfortunate.

3A disturbing trend I noticed is in the area of pricing services. The majority of the respondents are still doing work on an hourly-rate basis. As most already know, this is the lowest-margin methodology in pricing snow services to clients. This begs two questions: First, are we not doing a proper job educating the snow industry, and second, why can't those who educate the snow industry do more to change this low-margin philosophy?

4A few years ago rising fuel costs were creating considerable heartburn. Uneducated snow contractors felt the rise in fuel costs were going to force the industry to reevaluate pricing scenarios and potentially force many snow contractors out of business. Yet, today we find fuel issues to be low on the radar. Way back when, I was preaching that fuel costs had a very, very low affect on the overall bottom line – and there were other factors to be considered which had more impact on that bottom line. It would seem the industry has adjusted to the "new" fuel pricing.

John Allin is a columnist and regular contributor to Snow Magazine.

Contractors tell *Snow Magazine* that they're constantly seeking new information about their profession and are looking to educate themselves on how to become better, more profitable business owners. Regarding educational resources, snow contractors rely on industry-specific trade publications the most (86 percent), followed by Internet-based material (70 percent) and from other industry professionals (69 percent).

Source: Snow Magazine research

ONE WILD WINTER

A review of Winter 2009-10, what happened and what we might be in the works for this coming snow season. By Frank Lombardo

With sugar maples in the Northeast barely showing their autumn color the first snows of Winter 2009-10 began falling.

OCTOBER. While the Oct. 27-29 snowfall (17.2 inches in Denver) was more measurable, more noteworthy, and perhaps a harbinger of the winter to follow, was the Oct. 15-16 Northeast snowstorm. This storm, coming three weeks after summer officially ended, delivered one of the earliest measurable snowfalls ever. In an area from just north of Philadelphia to the Poconos and including portions of Northwest New Jersey up to 6 inches or more of snow fell in the highest elevations.

NOVEMBER. Despite the October snows, a temperature turn around in November produced considerable warming. As a result, little snow fell even in the typically snowy regions. The Great Lakes snow machine, which gets going in November, produced only a trace of snow in Buffalo and 1.2 inches in Cleveland. Great Falls, Mont., saw a mere .2 inches while Denver piled up 9 inches during a three-day, mid-month storm.

DECEMBER. Despite waning recession fears, contractors still had diffi-



Mother Nature beat the Dec. 21 start to winter with a record blast to the Mid-Atlantic.

culty solidifying their winter service agreements with some property owners. So Mother Nature resolved this problem with the arrival of cold Arctic air that produced several significant storms nationwide. Nature's clutch snowstorms helped close many deals, not to mention generated early-season invoices.

Cold weather spread throughout the U.S. and not a single climate zone averaged above-normal temperature for December. More than 325 snowfall records were broken mostly in Illinois, Iowa, Minnesota, Missouri and Wisconsin. Although Chicago didn't see any blockbuster storms, monthly totals averaged 20-30 inches. Heavy snow also fell in parts of the southeast and northeast U.S. and even the snow belt areas of New York shared in the winter accumulation with 25 inches in Buffalo.

Dec. 19 and 20 brought the first of four crippling storms to the US 95 corridor, from Northern Virginia to New Jersey. The near-record snow that occurred in this storm came two days before winter's Dec. 21 astro-

nomical start. In some areas of metro Washington D.C. the totals from this storm eclipsed what typically falls during an entire winter. The storm focused its greatest intensity across Maryland, Delaware and Southeastern Pennsylvania, pelting Wilmington with 17 inches, 18 in Baltimore and 23 in Philadelphia. Atlantic City picked up nearly a foot and amounts were lighter across northern Jersey and New England.

JANUARY. January saw the arrival of colder, drier Arctic air across much of the country and a storm track through the south and across the northern-tier states and southern Canada. Although precipitation amounts were lighter, more of what fell was in the form of snow. The Northern Rockies were hardest hit. Lighter snows fell across the Midwest. The Mid-Atlantic and Northeast quieted down except for some lake-effect snow (35.6 inches in Buffalo) and northern New England. On Jan. 2-3, Burlington, Vt., had its largest single-event snowstorm —

33.1 inches. Late in the month, a southern storm left a swath of heavy snow and ice from Texas to Virginia, and Asheville, N.C.'s foot-plus snow broke more records.

FEBRUARY. If there was one month that snow removal contractors would remember for the rest of their lives, and would consider it the epic snowiest month ever, it would be February. February 2010 has become the standard to judge all other snowy months by, especially across the Mid Atlantic/Northeastern States. The historic blocking of cold air that established itself in the central Appalachians combined with a strong peaking El Niño and allowed for the extraordinary snowy month

“February 2010 has become the standard to judge all other snowy months by...”

in the east and the development and propagation of not one, but three intense Nor'easters. The first two, Feb. 5-6 and again on the 9th and 10th, brought record one-week snows to Maryland. This double punch nearly KO'd contractors as they struggled to keep properties clear and find room to place the 40-50+ inches of snow that fell in six days. The final Feb. 25-27 storm fortunately shifted slightly north centering most of its ferocity across southern New York. The blizzard conditions which ensued dropped 2-3 feet of snow in parts of Orange and Sullivan counties and in parts of extreme Northwest New Jersey.

The warmth of El Niño allowed for Canadian air to drop southward into the U.S. and remained locked near the Mid Atlantic. A strong influx of storminess directed under this block colliding with pieces of this cold air resulted in the formation of the Nor'easters right over the Mid Atlantic where there was

just enough cold air to produce the “Big Snows.” The snow fall records of nearly every Mid-Atlantic location not only broke, but obliterated their all-time records for snowiest February and snowiest month. Weather records, some which have stood for 100 years, were shattered by as much as 15 inches or more. Atlantic City was buried under three feet, Baltimore and Philadelphia over 50 inches and narrowly missed a third storm at month's end. Monthly snowfall totals for Virginia through New Jersey were staggering. In some cases the equivalent of three winter seasons fell in one month. Meanwhile, as the snows flourished in the East, the snowy regions of New York and New England were

blocked from much of the moisture advancing northward and suffered somewhat of a snow shortage. Bangor had only 2.7 inches of snow, Boston 7 inches and Buffalo only 13.4, or about 30 percent of what fell at the nation's capital.

WINTER'S END. As the cold air blocking pattern relaxed in March and warmer weather returned, snowfall totals diminished across the Mid Atlantic, Northeast and much of the Nation. Storminess continued in the east but brought record rains, warmer weather and floods. Parts of Colorado, Wyoming and Idaho did see 1-2 feet from late-season storms. However, the typically snowy areas near the Great Lakes experienced one of their least snowy periods ever, with only a trace falling in Buffalo and Concord, N.H.

As spring arrived early April snow continued falling. Parts of Montana and Wyoming had their snowiest month with 2-3 feet in some areas.

Northern New York and Vermont also had a late storm (Apr. 27-28).

LOOKING AHEAD

The exceptionally snowy winter across the Mid Atlantic, the lack of snow in the Great Lakes, and the extreme cold in Florida will not likely repeat with the same intensity for several years. Contractors should bank this winter's profits and not plan on it again for quite some time.

However, the weather patterns which began changing a year ago have continued into 2010. The Pacific cold cycle (PDO) and now the North Atlantic Oscillation (NAO) appear to have begun a decadal decline from their peak values. Snowfall distribution, intensity and frequency across the U.S. is dependent upon these values as well as the El Niño/Southern Oscillation (ENSO). Snowy winters have occurred during both a La Niña and El Niño phase. With the NAO in decline and heading for a minimum in the next 10-20 years, like what happened during the NAO phase of 1950's to 1960's, snowy winters seem to be the inevitable trend in the East and Midwest.

Next winter will likely bring blizzard conditions to areas of the East Coast, but in more favored areas of Pennsylvania, New York and New England. Again, the trend should be for mid-season storms in January/February as opposed to December or March. Snowfall totals will likely return to near- or above-normal levels across the upper Midwest and Great Lakes. The Mid-Atlantic areas may see more heavy snow but with combinations of rain and ice, which more typically affect this area. The unique combinations that produced record East Coast snowfalls are unlikely to happen again for a long, long time. ❄️

Frank Lombardo is president of Weather Works Inc. in Hackettstown, N.J., and a frequent contributor to Snow Magazine.

ICING SALT PRICES

Better planning and more competitive pricing afforded contractors a break from the high salt prices seen in recent winters. by Kyle Brown

During the last few winters, snow contractors have been dealing with more than one tight economy. The financial climate has been difficult for even well-established businesses to weather, but heavier ice events and surprise storms made rock salt a tough commodity to afford.

Contractors hoped to stockpile mid-season, but many local governments swept up the available salt, sending both demand and price per ton to landmark highs. The cost pushed contractors to tighten profit margins even more, or risk raising prices when business owners were already looking for the best ways to cut costs.

In the 2009-10 season, supply started to meet with demand thanks to some key planning, and prices, though still high, have begun to level out, according to *Snow Magazine* research. A majority of those polled said they used the same amount or less rock salt last season than in the

previous year, and the price stayed the same or was less for most.

With a steady direct supplier, it was a good season for Brian Greve, vice-president of Empire Landscaping and Snow Plowing Inc. in Marlboro, N.Y. Though his company got caught up in the salt shortage of the 2008-09 season, resulting in the purchase of tons of overpriced salt, he was able to build business with a reliable supplier for the following season.

Between the two seasons, Greve saw about a \$20-per-ton drop in price for rock salt.

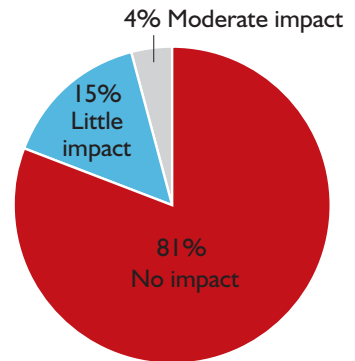
For Paul Fraynd of Omaha Friendly Services in Omaha, Neb., the change came when his company picked up more contracts and he was able to cut out a costly step last season by switching directly to a supplier.

“We used to get it from a company in town, essentially a middleman,” he says. “This year, we’ve gotten our own supply via semi from Kansas. There’s greater flexibility with it at

the shop, it’s available in 24 hours if we need it and the price difference is pretty substantial.”

Fraynd found about a \$30-per-ton savings in the switch, which he

During Winter 2009-10, what impact did salt availability have on your snow removal ops?



Editor's Note: No contractor reported "heavy impact" with regard to salt availability.

What deicing material did you use during Winter 2009-10?

MATERIALS	ANSWER OPTIONS	USED	DID NOT USE	DIDN'T USE, BUT CONSIDERED USING
Rock salt (dry)	Rock salt (dry)	81%	15%	4%
Salt treated with brine	Salt treated with brine	10%	73%	17%
Salt treated with a blend	Salt treated with a blend	28%	62%	10%
Calcium chloride	Calcium chloride	53%	43%	4%
Potassium chloride	Potassium chloride	20%	72%	8%
Magnesium chloride	Magnesium chloride	31%	62%	7%

Editor's note: Contractors also indicated using combination products, salt-sand mixes, salted gravel and cinders.

FREE FLOW

Availability of rock salt was a non factor this past winter. And even though the majority of contractors used more or the same amount of material and, in some instances, may have paid more, most reported this had little to no impact on their operations.

was able to leverage because the company picked up more contracts during the 2008-09 season, and had room to grow, he says. Despite the change in price, he's keeping pricing about the same for the upcoming season.

When snow fighters had the size to request large orders directly from suppliers, salt wasn't difficult to come by. But for smaller contractors, like Corey Standen of Standen Snow Plowing, Alpena, Mich., the last few seasons have been about acquiring salt from the larger contractors and suppliers at a higher price. "The demand has been there, but the supply just hasn't been," he says. "We've really got one port here. The main contractor buys up everything he's going to use, and you can buy it from him."

During the last season, Standen cut some of the cost by purchasing

bag salt through a wholesaler when he was able, still paying more than \$100-per-ton.

Despite the recent growth, Fraynd remembered what it was like not to have the monetary weight to call for large orders directly. "In that season, when we were dealing with the local supplier, there was just no salt," he says. "You're just handcuffed to your local supplier when you're that size. You're always going to be chasing salt if you're a small guy."

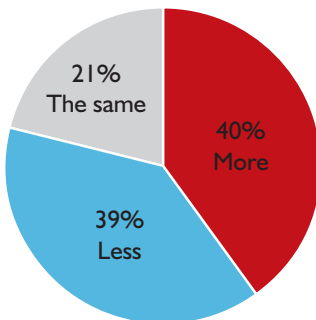
Standen leveraged his company's size by more precisely planning how much salt he actually needed for the season, saving him money. "I could do a lot of planning like this," he says. "I tried to figure out what it would take, going off what we used last season, and measured it out. It ended up being very close to what we actually used, and this was the biggest season we've ever had."

Strategic planning resulted in the most price brakes, contractors say, especially when salt suppliers offered discounts to early buyers. Greve's suppliers take about another \$15-per-ton off salt purchased before Sept. 1. He bought about half of the salt he planned for the season before the summer ended, budgeting about the same percentage for salt as he did the year prior.

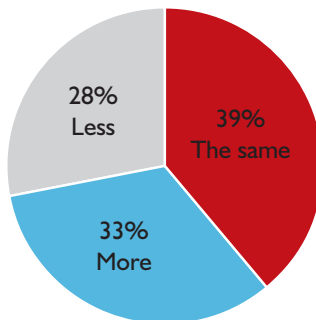
"Half" was also an important amount for contractors last year. Many contractors started ordering an additional load of salt as soon as bins reached that mid-point during the season. "That's one of the things we've learned," Greve says. "It's a very scary thing to deplete all your salt. We never let them go down below 50 percent. In the event that something should happen, we're always sitting on an inventory."

While governments also strategically planned to avoid the salt grab of recent years, the half-full bin buffer kept Fraynd from worrying about running out during the season. "Everyone probably planned ahead a little bit more. I kept stock available well-ahead of time. You can't control the weather, but you can control what you have in those bins." ❄️

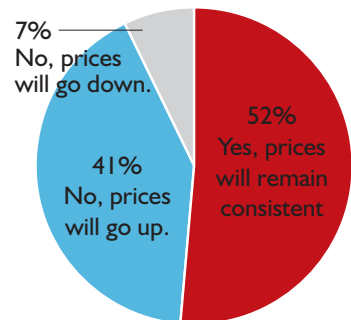
Compared to Winter 2008-09, how much salt did you use last winter?



Compared to Winter 2008-09, how much did you pay for salt last winter?



Do you anticipate salt prices will remain at Winter 2009-10 levels for Winter 2010-11?



Source: Snow Magazine research

WINTER'S CRYSTAL BALL

As contractors plan for the 2010-11 season, they face challenges on several fronts. The predominant strategy? Keep costs down, grow smartly and outlast the cut-rate competition.

by Craig Gaines

Now that the final bills for the 2009-10 snow season are in the mail and the plows are stowed away for the summer, snow removal contractors are taking stock of the season that was and looking ahead.

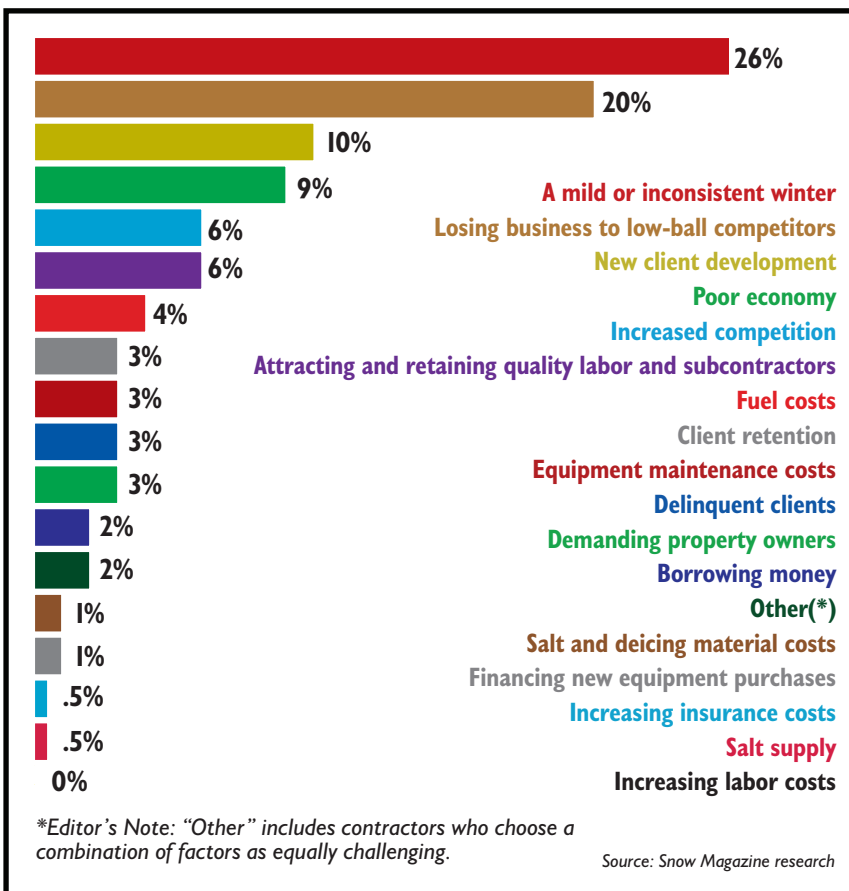
Facing a slowly recovering but still battered economy, a flood of low-ball competitors and the inherent unpredictability of Mother Nature, contractors are in a cautiously optimistic mood.

For the most part, they are looking to increase their business, but most seem to be settling on slow-growth strategies.

This early post-recession era makes things difficult for contractors on at least two fronts: prospective customers are either nonexistent or insisting on low rates, and a brutal job market is inspiring a legion of pickup truck owners to strap on plows and eek out livings offering bottom-barrel rates. Contractors offer the same response to both challenges: wait out the storm.

Patrick Feehan of RBR/Melville Snow Contractors says legitimate, professional snow removal contractors will always outlast low-bidders. The best strategy, he says, is to edu-

What is the single greatest business challenge you'll face in Winter 2010-11?



cate the customer. "What we try to emphasize to our customers or to our potential customers is you can hire the guy who has one truck, and if that guy blows a hose on his plow in the middle of a snowstorm, well you're kind of up the creek," says the director of sales and marketing for the Islandia, N.Y.-based snow removal company. "The guys who are trying to low ball you, they don't have the loaders, the Bobcats, they don't have the equipment necessary to handle all the contingencies of the winter event."

The economy has customers shopping for deals, which gives cut-rate competitors an opening. But many of the contractors *Snow Magazine* interviewed for the 2010 State of the Industry report advocate

standing firm on prices and differentiating yourself on service.

"You have to say this is my best price, you don't want it, you don't have it," says Chris Chambers, who owns Baypointe Lawn & Snowplowing in Waterford, Mich. "And 50 percent of the time you get it and 50 percent of the time you don't. But then there are a lot of times after you give that initial quote, four months later they realize the guy that was the cheapest isn't doing their snow plow anymore. What comes around goes around."

The only element in a snow-removal contractor's life that might be more unpredictable than the economy is, well, the elements. While parts of the Mid-Atlantic and Northeast were blissfully buried this win-

ter, the Upper Midwest was too dry for most contractors' liking. Savvy contractors address this by, whenever possible, structuring contracts so that they'll get paid consistently regardless of the weather.

For example, Feehan's snow removal operation offers per-push, lump-sum and annual contracts. The annual agreements cover a certain amount of snowfall, and then anything over that results in additional charges for the customer. The lump-sum deal, which puts the contractor in the best possible position during a dry winter, offers the customer consistent service in return for five payments during the year.

Kasey Thren encourages his snow removal customers to sign similar, regularly paying contracts, but he says "you've got to be a salesman" to consistently structure your deals this way.

"It's hard to sell them, because the person says, 'Hey, if it don't snow, I'm getting screwed,'" says the owner of K.T. Lawnscape in Mecosta, Mich. "But you come back and say, 'Well, if it snows every day, you're going to save money.' You've gotta know your numbers. Know your snowfall and how many snow events there have been in previous winters."

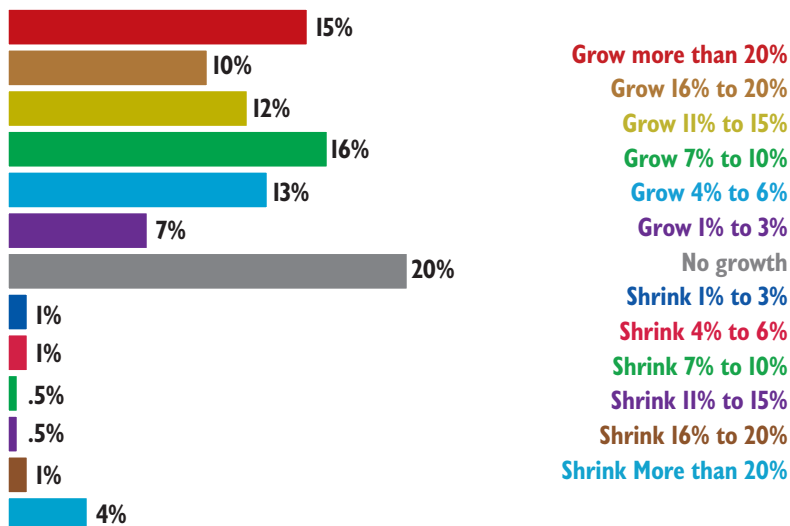
Being a snow removal contractor requires a certain amount of risk taking. But successful gamblers know when to go all in and when to play conservatively.

Chris Chambers, whose snow removal company is small but consistently growing, speaks for the majority conservative crowd when he says, "It's a good time to grow, but you can't overextend yourself. You can grow by buying a \$10,000 F-350 out of Florida rather than buying that F-350 for \$35,000 here with a \$5,000 plow on it. ... You've got to be economically responsible." ❄️

GROWTH PLANS

Nearly three quarters of snow fighters indicated they will grow their snow removal operations for Winter 2010-11.

What are your growth plans for snow removal in Winter 2010-11?



Source: Snow Magazine research