



Snow & Ice Management Association: Industry Market Landscape

Executive Summary – May 2016

PROJECT BACKGROUND OBJECTIVES

This document reflects the results of secondary (existing) market research conducted by WolfWorks, an independent market research and strategy firm, under Singer Communications, SIMA's PR firm, for the snow and ice (S&I) industry. Specifically, this research reveals information about the industry's size and composition; its impact on the economy, labor force and society; and trends shaping the field.

PROJECT METHODOLOGY

Our conclusions are the result of a broad fact-finding effort relying on many diverse, **publicly available** sources. Such sources include government data, trade journals, mass media, SIMA member data, and industry associations relevant to S&I such as landscaping.

INDUSTRY DEFINITIONS

This research covers the *private* snow and ice market across the U.S. with some limited data reflective of the Canadian marketplace. The industry is comprised of both providers of S&I services, as well as their buyers, defined as follows:

- **Providers:** Companies (including suppliers, manufacturers, contractors/subcontractors) and individuals serving the private S&I industry including practices to prevent S&I accumulation.
- **Buyers:** Those owning or managing private property including retail, commercial, industrial, office, HOA and residential homeowners

Our findings *exclude* S&I activity purchased directly by government (federal, state, municipal), although ancillary hiring of S&I contractors by governments outside of their direct budget allocation for snow removal may be included.

S&I MARKET SIZE

The private S&I market is estimated to be nearly **\$23 billion**, spanning both the U.S. and Canada:

<i>Private S&I by Country:</i>	U.S.	Canada	North America
Estimated Total Market	\$18.0B	\$4.7B	\$22.7B
<i>% of Total</i>	79%	21%	

The North American public S&I is estimated at **\$3-4B**. So, the private S&I market is perhaps 5 to 8 times larger than the public side of the market.

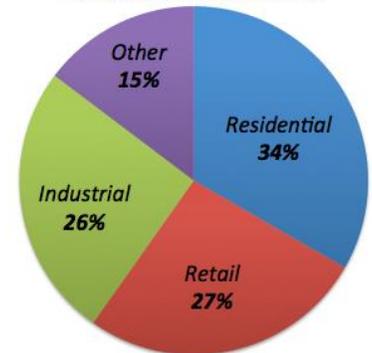
S&I MARKET COMPOSITION

Buyer Segment Demand

Four types of buyers comprise the S&I industry including: **residential**, mainly single-family housing; **retail**, primarily small businesses; **industrial**, typically commercial offices and facilities; and **other**, including hospitals, universities, airports, sports arenas, etc.

- **Residential** makes up **34%** of the S&I industry, an estimated **\$7.6B**
- **Retail** is just over ¼ (27%) of the market, **\$6B**
- **Industrial** represents another ¼ of the market, **\$5.8B** – and given the larger footprint of industrial clients, is typically served by regional or national operators
- **Other** such as hospitals, airports, etc. make up the remaining **17%**, **\$3.3B**

S&I SHARE PER SEGMENT



Geographic Demand

Across U.S. regions, the largest in terms of estimated S&I revenue is the **Northeast**, representing **27%** of the industry – despite representing just 11% of America’s population. The Northeast also contains the state purchasing the most S&I services, **New York** that represents 13% of the entire U.S. S&I market. Other NE states spending the most on S&I services include Massachusetts (#8 among the 50 states) and Connecticut (#9).



America’s second-largest S&I region is the **Great Lakes**, comprising **25%** of the market. It includes the 2nd, 3rd and 10th largest states purchasing S&I services – Illinois, Michigan and Ohio, respectively.

The 3rd-largest region based on estimated S&I revenue is the **Mid-Atlantic**, representing **15%** of the marketplace. It hosts the 5th and 6th largest states for S&I purchasing – Pennsylvania and New Jersey.

S&I INDUSTRY PROVIDERS

There are an estimated **110,400** snowplow service operators in the U.S. The S&I industry is very **fragmented**, as the 50 largest operators when combined control just 1/12 of the industry’s total revenue. In fact, nearly 80% of industry operators (88,000 of them) are sole proprietors, while the remaining 20% (22,400) are larger operators with employees.

S&I operators are typically **highly experienced**. 2/3 of operators have been in the S&I business for 10+ winters. Just 13% are relatively new entrants, working 1-3 winters.



Given the seasonality of the S&I field, most operators work across multiple industries – the most common being landscaping. Just 8% work exclusively in S&I, and the average S&I operation derives slightly less than half of its total revenue – 41% – from S&I services.

Operators' most commonly used pricing model is **variable**, as just 1 in 5 contracts are seasonal. Specific types of variable price models used vary widely: 29% of contracts are per-push, while 23% are per-hour, 17% per-season, 14% per event and 14% per inch.

The typical operator earns **\$152,100** from S&I services. Of these revenues, they spend on average 31% on wages, another 31% on purchases, 4% marketing, 3% depreciation, 2% utilities and 5% other items.

This cost structure results in average **profit margins of 24.6%** today. However, margins vary widely, as 2 in 10 earn <20% margin, yet another 1 in 4 earn more than 50% profit. Operators are earning slightly higher profits than in the past, up from **22.9%** in 2009, with higher margins driven by gradual recovery of the U.S. economy after its economic downturn, as well as greater snowfalls in recent years.

ECONOMIC AND SOCIAL IMPACT

Employment: The S&I market contributes an estimated **260,000 workers** to the U.S. labor force. If sub-contracting as well as direct employment is taken into account, as many as **390,000** laborers may work in S&I.

Safety & Liability: 1 in every 4 slip-and-falls are due to S&I, or **2,250,000** per year in the U.S. These accidents happen most often in parking lots (35%), outside buildings (25%), or on sidewalks (21%). S&I slip-and-falls cost \$28,000 on average, and contribute to 24 million lost workdays annually.

Infrastructure: The practice of S&I removal spans **43,500 square miles** of paved surface – about the size of Ohio. S&I operators must serve America's nearly 3 million miles of paved roads, 160,000 parking facilities, and approximately 750 million parking spaces (about 3 per car).

INDUSTRY TRENDS

The S&I industry has been **growing** steadily, if slowly, increasing 3.8%/year from 2009-2014. This trend is anticipated to continue, with the market expected to grow 3.2%/year from 2015-2019.

S&I services are benefitting from a booming U.S. **commercial real estate** industry that is seeing higher occupancy rates and new construction spending. Higher **industrial sector** demand, as more corporations outsource their facilities management, is also fueling industry growth.

The S&I field expected to **consolidate** slightly, as more new laborers work for larger snow removal firms rather than entering as independents.



INNOVATIONS

A major pricing innovation has emerged, as operators are starting to use the **seasonal-variance pricing**, also known as the “weather coverage” method. This model is an alternative to fixed-price or fixed-occurrence pricing, and is designed to protect the interests of both the S&I provider and the customer. It guarantees profit by paying businesses for below-average snowfall via a minimum on seasonal fee, and covers costs associated with above-average snowfall.

More servicers are using **24/7 ice monitoring technology**, including remote monitoring via video, and/or instant de-icing in advance of anticipated weather events. **Geofencing** – the detection of “safe zones” to improve operator efficiency and protect customers’ landscapes – is another emerging technology.

S&I mobile apps – “on demand”, *Uber*-like programs (i.e., *Plowz & Mowz*, *PlowMe*) – are on the rise. They crowd-source independent, local providers for individuals seeking snowplow services. Such apps simultaneously save consumers time (they can even order remotely, with a photo of a freshly plowed driveway serving as job confirmation) while adding route density for S&I contractors.

CONCLUSION

The snow and ice industry is a vibrant part of the North American economy, representing **\$23B of the marketplace**. In the U.S. there are more than **110,000 S&I professionals** – 80% (88,000) of whom are sole proprietors. The **Northeast (27%)** has the largest demand for S&I services, followed by the Great Lakes (25%) and Mid-Atlantic (15%) regions. Most of those working in the S&I industry are seasoned professionals, with more than **two-thirds providing services for more than 10 winters**.

The industry remains vibrant, with savvy operators embracing new pricing structures, technologies and even app-based business models.

The best news for SIMA and the S&I field is that the **industry is growing by about 3.5% annually**, and that it is on target for continued growth through 2019.

Key sources:

Accuweather, American Association of State Highway & Transportation Officials, Canada Department of Innovation, Science & Economic Development, Canadian Nursery & Landscape Association EHS Today, Grist.org, IBISWorld, National Parking Association, Snow & Ice Management Association, U.S. Department of Labor, USM, Zurich Services Corp.

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