Production & Marketing Report

Economic Profile of Atlanta Landscape Maintenance and Lawn Care Firms

Wojciech J. Florkowski[1],
Carol D. Robacker[2],
Joyce G. Latimer[2], and
S. Kristine Braman[3]

Additional index words. survey, Atlanta metro area, ownership type, sales value, equipment value, residential accounts

Summary. A survey indicated that the landscape maintenance and lawn care industry of the Atlanta metro area was localized in densely populated counties with a high concentration of commercial activity and residential housing. A relatively young age and limited size of most of the firms suggested a lack of barriers to entering the industry, which was supported by gross sales and equipment owned by surveyed companies. Most firms generated no more than $100,000 in sales in 1993 and owned equipment valued at less than $25,000. Most residential accounts were under 10 acres.

The University of Georgia, Georgia Station, Griffin, GA 30223-1797.

[1]*Associate professor, Department of Agricultural and Applied Economics.*

[2]*Associate professor, Department of Horticulture.*

[3]*Associate professor, Department of Entomology.*

This project received partial funding from the Pollution Prevention Assistance Division of the Georgia Dept. of Natural Resources. The cost of publishing this paper was defrayed in part by the payment of page charges. Under postal regulations, this paper therefore must be hereby marked advertisement *solely to indicate this fact.*

Landscape maintenance and lawn care (LM/LC) services are a rapidly growing sector of the economy. Growth of these services occurred in response to demand factors, such as the population increase and rising incomes. The return of many spouses to the workforce allowed two-income families to allocate a share of their earnings toward purchasing LM/LC services (Hubbard et al., 1989). In Georgia, the rate of population and income growth, the popularity of planned communities, and the mild climate extending the growing season contribute to the demand for LM/LC services. Earlier surveys of LM/LC industries (Hubbard et al., 1989, 1990) in Georgia led to the conclusion that a full-scale census of all segments of the Georgia ornamental industry was needed. We performed a survey of firms providing LM/LC services in the Atlanta metro area (AMA) to provide insights into the economic characteristics of firms supplying LM/LC services. Our study provides a thorough economic profile serving as the basis for the evaluation of the industry's needs and potential economic impact.

Materials and methods

The geographical scope of the survey was the AMA because of the area's high concentration of commercial activity and high population density. The AMA was defined as the Atlanta Statistical Reporting District, which included 20 counties (Fig. 1).

Mailing list preparation. Mailing lists were collected from professional associations of the LM/LC industry: the Professional Lawn Care Association of America, the Metro Atlanta Lawn and Turf Association, the Georgia Green Industry Association, and the Professional Grounds Management Society.

County governments in all 20 counties also were contacted to obtain lists of business licenses issued for LM/LC firms. Compiled lists were based on the county government records using the Standard Industry Code (SIC). However, we found some inconsistencies using SICs. Such inconsistencies might have led to omission of some companies relevant to the survey, but the developed list was considered the best available alternative.

Survey, instrument preparation. Development of the questionnaire was based on previous similar surveys of the industry conducted in Georgia (Hubbard et al., 1989, 1990) to provide a basis for comparison. Three major ownership types of LM/LC firms were identified from observations and interactions with the industry before mailing the survey: independent owner, franchise operation, and a corporate branch office. The type of ownership was expected to be related to the value of gross sales because of the amount of available resources; in general, independently owned businesses have fewer resources than corporations.

Supplying LM/LC services requires equipment and implements. Because the value of equipment used by a company is an additional characteristic describing the industry, we requested an estimate of the value of trucks, lawn mowers, trailers, and other equipment used in providing services.

Age of a firm was considered important to gauge how fast the industry changes, given its rapid growth, and because of age's implicit relationship to the experience in supplying LM/LC services accumulated by the firm. A measure of the firm's size was the number of accounts. Larger firms were expected to serve more customers, which would be reflected in the number of accounts.

The survey was pretested on a subsample of randomly selected firms and was reviewed by a few industry experts. Minor modifications were introduced following the comments from respondents and experts.

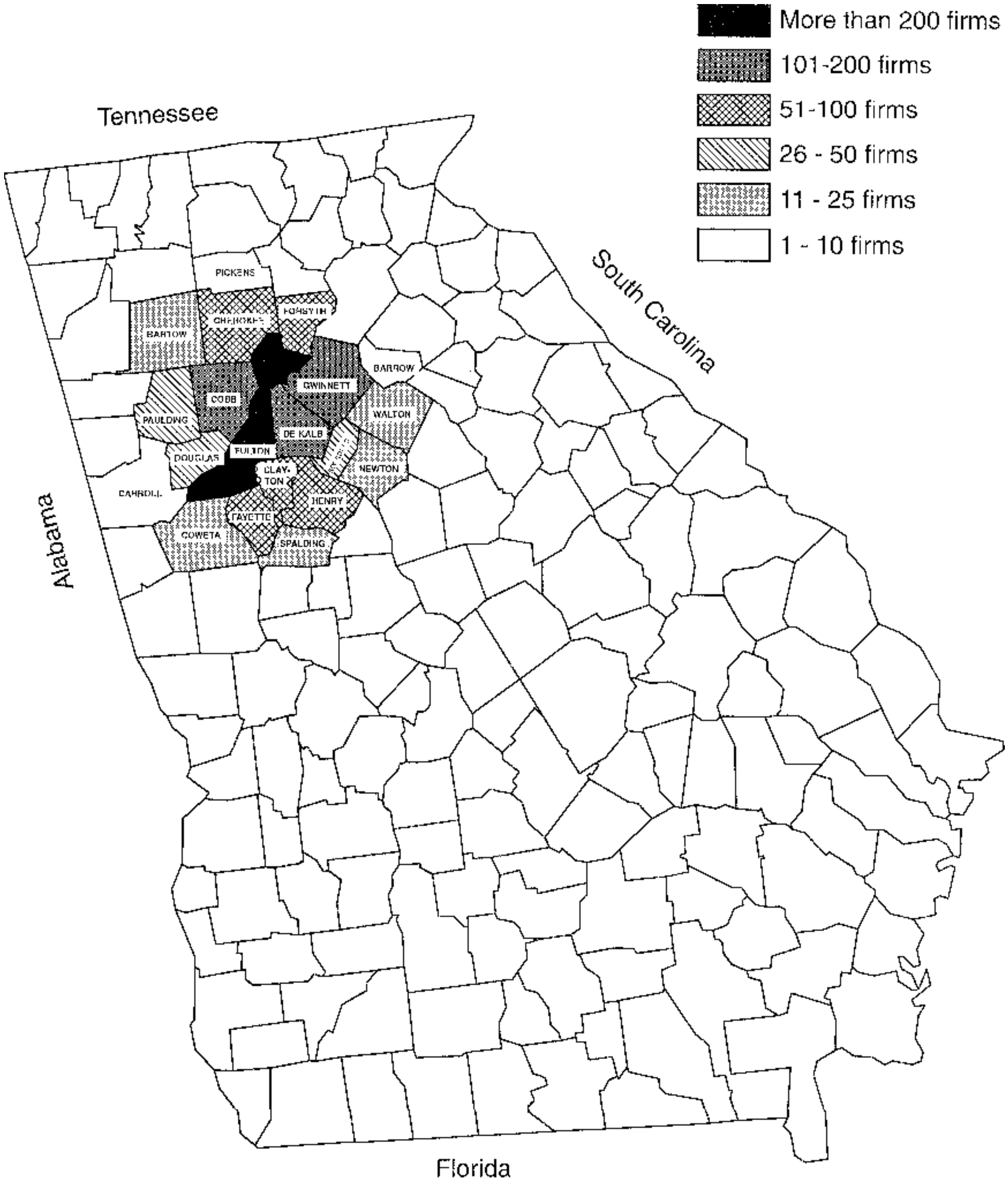

Fig. 1. Number of firms reporting sale of landscape maintenance and lawn care services in the Atlanta metro area (by county), 1994.

Mailing the survey instrument. The first mailing of 1678 questionnaires was on Sept. 1994 and was followed by a second mailing in October. Because of uncertainties concerning the company classification according to the business license records, the recipients were asked to return the questionnaire not completed if the subject matter was not applicable to their business. The gross returned rate, which was adjusted for non-applicable addresses and undeliverable mailings, was 25.4% or 350 usable questionnaires.

Results and Discussion

Distribution of serviced areas in the AMA. Surveyed LM / LC firms reported that 95% of their services were supplied to customers in the 20-county area. Fulton (60% of participating firms), Dekalb (53%), Cobb (52%), and Gwinnett (47%) counties were the primary location of LM / LC firm operations (Fig. 1). The high concentration of services in these counties closely parallels the population density and the location of economic activity in Georgia. Pickens, Barrow, and Carroll counties were named by ≤1.4% of respondents as areas of firm business activity. This illustration suggests a close relationship between urbanization and the services supplied (i.e., the greater the distance from downtown Atlanta, the fewer the number of firms supplying LM / LC services).

Cherokee (17% of participating firms) and Forsyth (17%) counties in the northern part of the AMA and Fayette (17%) and Henry (15%) in the southern part of the AMA area frequently were listed by respondents as counties where the firm supplied LM / LC services. These four counties are among the rapidly growing areas in Georgia and will likely provide an expanding market for the LM / LC industry. Fig. 1 shows the distribution of LM / LC services according to number of firms.

VALUE OF SALES IN 1993. Respondents shared information about the range of service sales for 1993 (Table 1). According to the survey results, most firms (58.4%) sold less than $100,000 worth of LM / LC services; a total of 78.5% of firms sold services valued at less than a $250,000. A few companies (7.3%) reported sales exceeding $1 million.

Compared to the survey of landscape firms conducted by Hubbard et al. (1989, 1990), more firms reported sales of less than $100,000: 58.4% in 1993 vs. 38.4% in the combined results of earlier studies (Table 1). The difference may be due to the differing scope and sample size between the two surveys. Specifically, Hubbard et al. (1989, 1990) surveyed a sample of selected firms rather than attempting to survey the whole population of LM / LC firms. However, our study suggested a prevalence of small companies measured in terms of gross sales in 1993.

COMPANY OWNERSHIP TYPE. Survey data indicated LM / LC firms were primarily owned independently (85%). Typically, LM / LC firms are small businesses, often based on family labor. However, several major corporations are engaged in supplying LM / LC services, and a few are headquartered in Atlanta. Among the 15% of companies not independently owned, 2% were listed as franchise operations, and 7% were corporate branch offices. Five percent of companies were classified as "other" by respondents.

Most (63%) companies defined as independently owned earned less than $100,000 in gross sales in 1993 (Table 2). Only 10% of independently owned companies earned $500,000. Among franchise operations, none reported gross sales in excess of $250,000 in 1993. In contrast, among the corporate branch offices, 65% reported gross sales exceeding $500,000 and only 17% earned less than $100,000 in 1993. Companies defined by respondents as "other" were divided into two major groups: 65% reported gross sales under $250,000 and 24% reported sales to at least $1 million.

The distribution of gross sales by the type of company suggested, as expected, that independently owned companies and franchises generated a smaller volume of gross sales than do corporate branch offices or companies classified as "other".

Table 1. Gross sales ranges for selected years reported by Atlanta metro-area lawn care and landscape maintenance companies.

	Percent of companies		
Sales range	1993	1987[z]	1987[y]
Less than $100,000	58.4	22.0	16.4
$100,000–249,999	20.1	26.5	34.4
$250,000–499,999	6.7	26.5	34.4
$500,000–999,999	7.3	16.2	11.9
$1 million or more	7.3	8.8	37.3

[z]*Hubbard et al., 1990; refers to sampled lawn care companies.*
[y]*Hubbard et al., 1989; refers to sampled landscape firms.*

Table 2. Gross sales ranges by company type reported by Atlanta metro-area lawn care and landscape maintenance companies.

	Gross sales range (%)				
Type of company	Less than $100,000	$100,000–249,999	$250,000-499,999	$500,000–999,999	$1 million or more
Independent owner	63	20	7	5	5
Franchise	88	13	0	0	0
Corporate branch office	17	9	9	30	35
Other	24	41	6	6	24

Table 3. Gross sales ranges by company age reported by Atlanta metro-area lawn care and landscape maintenance company.

	Gross sales range (%)				
Years in operation	Less than $100,000	$100,000–249,999	$250,000–499,999	$500,000–999,999	$1 million or more
1–5	77	14	4	3	1
6–10	48	26	12	9	5
11–20	23	32	11	17	17
More than 20	12	18	0	12	59

COMPANY'S AGE AND GROSS SALES. The age of a company indicates the economic success resulting from good management, experience in servicing, and consistency of quality of the provided services. A company's age reflects the commitment of the owners or managers to engage in this type of business and implies their willingness to improve the expertise required to compete successfully within the industry. Data indicated that 36.5% of firms operated for 2 to 5 years, and 14.8% were established within 1 year of conducting the survey. A large number of companies (79.5%) was relatively young (i.e., they were established within the last 10 years). Only four companies >20 years old had operated for >50 years.

Generally, older companies reported a larger gross sales in 1993 (Table 3). Companies with sales under $100,000 represented about three-quarters of companies ≤5 years old. Only 1% of those companies >20 years old reported gross sales of $1 million or more. In comparison, among companies >20 years old, only 12% reported sales under $100,000. In addition, 59% of those companies reported sales of at least $1 million.

Results suggested a close relationship between age of a company and volume of sales. There were larger differences between the firm's age and gross sales compared to an earlier study of the AMA lawn care industry (Hubbard et al., 1990). These differences stem from the larger sample surveyed in our study and, perhaps, the broader scope of our survey, which included LM and LC services. The limited experience, measured in years of a firm's existence and low gross sales, may result in a relatively high number of firms exiting the industry.

VALUE OF EQUIPMENT USED IN 1993. The value of equipment reflects the capital at the disposal of the firm and the potential number of customers who can be supplied services in a timely fashion. Generally, the higher the value of equipment, the larger the number of customers that can be serviced and the higher the quality of the service provided.

The often low value of equipment owned by companies (Table 4) is consistent with the relatively large number of young and, therefore, more likely inexperienced firms in the industry. Our results suggested that the value of equipment used by 54.7% of companies did not exceed $25,000; another tier of companies (20.5%) reported the equipment value of at least $25,000 but less than $50,000 (Table 4). The percentage of companies reporting their equipment value decreased as the category classifying the equipment value increased. The exception was the number of companies (13.2%) reporting their equipment value exceeding $100,000. This result was consistent with the value of reported gross sales and the type of the company (i.e., a small percentage of companies were classified as corporations and a small percentage of companies reported high sales value), but the proportion of those companies among corporations was the highest among all company types.

Table 4. Value of equipment and gross sales ranges of responding by Atlanta metro-area lawn care and landscape maintenance companies.

			Gross sales range (%)				
Equipment value	Firms (no.)	Firms (%)	Less than $100,000	$100,000–$249,999	$250,000–$499,999	$500,000–$999,999	$1 million or more
Less than $10,000	92	28.1	95	3	2	0	0
$10,000–24,999	87	26.9	79	17	2	1	0
$25,000–49,999	67	20.5	45	42	9	2	2
$50,000–100,000	37	11.3	11	43	24	14	8
More than $100,000	43	13.2	2	5	7	37	49
Total	326	100.0					

Table 5. Gross sales range by the number of accounts served and the number of firms reported by Atlanta metro-area lawn care and landscape maintenance companies.

			Gross sales range (%)				
Accounts (no.)	Firms (no.)	Firms (%)	Less than $100,000	$100,000–$249,999	$250,000–$499,999	$500,000–$999,999	$1 million or more
10 or fewer	82	33.9	71	11	8	5	6
11–25	64	26.8	75	17	3	3	2
26–50	42	17.6	80	12	0	5	2
51–100	28	11.7	39	32	7	14	7
101–200	6	2.5	50	17	33	0	0
201–500	8	3.4	38	50	13	0	0
More than 500	10	4.1	0	22	0	11	67

The distribution of the equipment value and gross sales suggested a strong inverse relationship between the two characteristics (Table 4). Companies with an equipment value of less than $10,000 seldom generated more than $100,000 in gross sales in 1993. The threshold equipment value separating firms reporting large gross sales volume was the fourth category, indicating that to generate sales of more than $500,000, companies required equipment valued at more than $100,000 (Table 4).

These results stress the importance of capital as company size (measured in gross sales) increases. The growth of a company depends on the influx of capital, which is raised more easily by a corporation than by an independent owner. Larger capital, in turn, allows the expansion of the customer base and likely the improvement of service quality. The quality of services generates repeat business and promotes the company.

Number of accounts per firm. The largest number of reporting firms indicated serving ≤10 customers (33.9%) (Table 5). The number of firms serving from 11 to 25 residential accounts was 26.8%. In general, few firms reported more accounts. A slight increase in the number of served accounts was reported by firms supplying services to 201 to 500 customers; only 10 firms serving residential accounts reported serving >500 clients. Supplying services to that many customers requires substantial resources (i.e., the firm's equipment value must be relatively high) and generates a high gross sales value (Table 5).

In categories representing <50 and between 101 and 200 serviced accounts, at least half of the firms reported gross sales under $100,000. In general, firms servicing <100 residential accounts generated gross sales under $250,000. A high percentage (67%) servicing >500 residential accounts generated at least $1 million in gross sales. These results support data presented earlier about the relationship between the company type and the value of equipment, implying that independently owned companies are smaller in terms of gross sales and are capable of servicing a limited number of customers.

Conclusion

Survey results stressed the importance of the densely populated areas for the establishment and growth of LM / LC industry. Highly populated counties were served most often by surveyed firms.

Many companies are relatively young (i.e., operating for ≤5 years), suggesting a lack of entry barriers into the industry. In general, long-established firms reported substantially larger gross sales than younger companies.

Equipment value owned by companies was inversely related to the reported gross sales. A large number of firms owning equipment valued under $25,000 reported relatively smaller sales than companies with equipment valued at $50,000 or more. The $50,000 invested in equipment seemed to provide an adequate base for the expansion of LM / LC service supply. Such growth was reflected in the increasing range of gross sales reported in the survey.

The value of gross sales increased with the number of residential accounts serviced by the LM / LC firms. Most firms serviced ≤50 accounts, earning less than $100,000. However, a cluster of firms represented a separate group servicing over 500 accounts and generated at least $1 million in gross sales in 1993.

The AMA survey results of the LM / LC industry provide an overview of the industry's structure. The LC / LM industry ownership structure, gross sales ranges, the importance of residential accounts, and equipment value in the AMA will likely resemble that of other urban areas. In northern states, the number of individually owned, younger firms may be larger because of the strong seasonal nature of the provided services and the seasonality the revenue flow provides limited income-generating opportunities for a large corporation specializing only in LC / LM services. Some firms may supplement their offer by providing snow removal services, but this requires additional equipment that may or may not be used every winter. The length of the growing season may influence the range of gross sales, e.g., lowering such a range in northern states in comparison to the AMA, but increasing the range in areas with a yearround growing season.

Survey results serve as a benchmark for comparing LC / LM industries in other regions. Specific range sales and type of services offered may vary in response to area weather patterns, preference for landscape type, income levels, and demographics. A possible major difference that could influence this profile is the relative importance of LM / LC.

Literature Cited

Hubbard, E.E., J.C. Purcell, G.W. Landry, T.R. Murphy. 1990. An economic profile of the lawn care industry in the metropolitan Atlanta area. Ga. Agr. Expt. Sta., College of Agr., Univ. of Georgia, Spec. Publ. 65.

Hubbard, E.E., J.C. Purcell, G.L. Wade. 1989. An economic profile of the commercial landscape industry in Georgia. Ga. Agr. Expt. Sta., College of Agr., Univ. of Georgia, Res. Rpt. 573.