



EXECUTIVE INSIGHTS

Will Consolidation in Landscaping Services Take Root?

The commercial and residential landscaping markets tend to track the installed base of commercial and residential properties, which also tend to grow at a modest pace. Transaction activity has picked back up, and landscaping transaction volumes are back to near pre-pandemic highs. All of this is enabled by the high degree of fragmentation in the industry, driven by low entry costs, which has resulted in countless players offering lawn maintenance services.

Commercial landscaping

A raft of tailwinds

A number of factors are expected to boost the commercial landscaping industry, starting with a partial return to the office and continued emphasis on outdoor spaces.

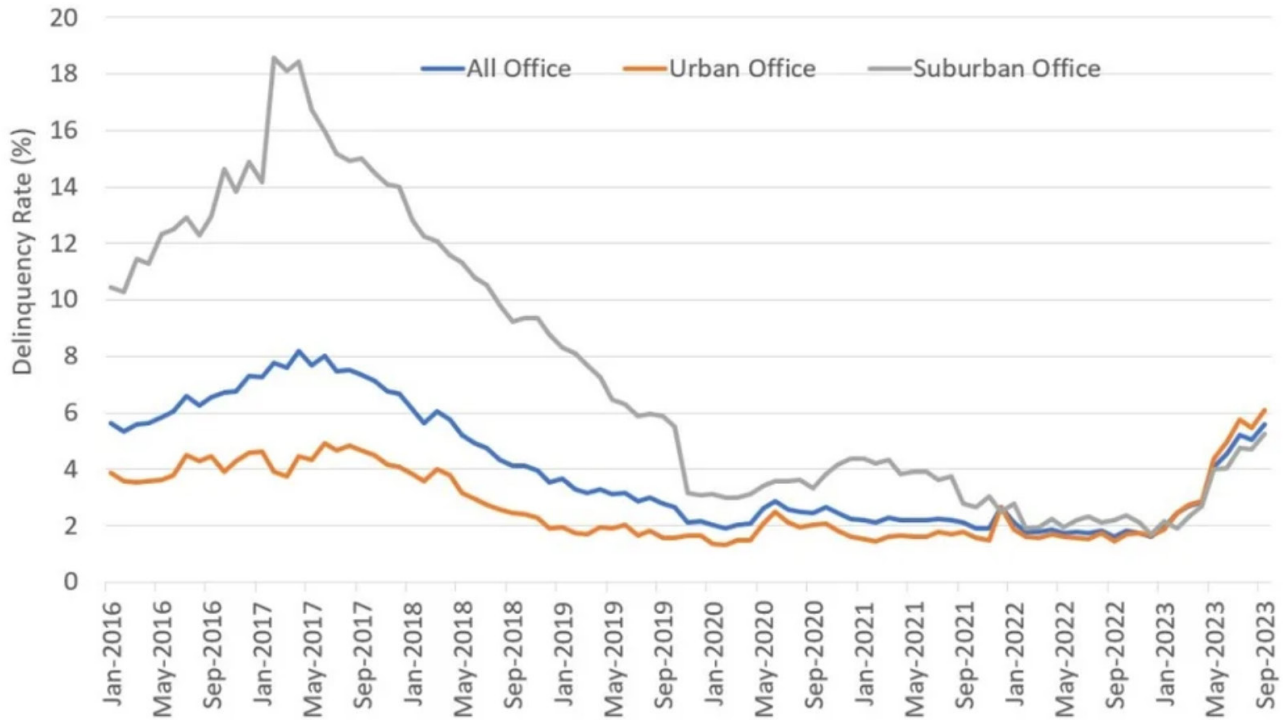
The return to the office and a shift to hybridization

In an effort to attract more employees to the office, corporations have increased their investments in creating a unique and welcoming atmosphere by enhancing their campus environments. Facilities managers need to maintain a facility's landscape as part of creating an environment in which those employees want to work.

Maintaining attractive facilities is also necessary to retain tenants who are able to select from a wider range of vacant offices or to demand lower lease rates. And now those office locations are increasingly in suburban areas, which not only facilitate easier commutes, provide additional shared space and offer greater space flexibility overall but are more likely to have a larger outdoor space requiring landscape maintenance and related services (see Figure 1). There has been a secular shift in office locations to suburban areas: two-thirds of

offices built over the past two decades in the U.S. have been in suburban areas, according to CommercialCafe. This trend has been further accelerated by COVID-19, with vacancy in central business district offices hitting a record high of 17.7% in 2023 Q2 – higher than the 16.6% vacancy rate for suburban offices – according to MSCI.

Figure 1
Office delinquency rates, by subtype



Source: TREPP Research

Suburban offices have also been experiencing lower delinquency rates as more workers have moved to the suburbs recently, with over 90% of suburbs experiencing positive population growth in 2020 and 2021. This trend is also seen in large companies like Meta downsizing their presence in New York City, San Francisco and other cities in favor of smaller offices in, for example, the New Jersey suburbs.

Enduring demand for commercial construction

According to L.E.K. Consulting research, growth in commercial construction – which supports the development side of commercial landscaping – is historically more stable than residential construction, and in periods of overall lower growth, end market diversification can provide some upside.

Variability of development service offerings

Introducing development services within the commercial landscaping sector involves a strategic alignment with commercial construction. Development services encompass the comprehensive planning, design and execution of landscaping projects integrated with new infrastructure or construction initiatives. Engaging in development services typically requires a reliable, larger-scale landscaping company that can navigate the complexities of project coordination and meet the demands of varied construction contexts beyond traditional landscaping services.

In the commercial landscaping industry, it's notable that development services often act as an adjacency rather than a core competency for landscaping companies. While some landscaping companies incorporate development services into their offerings, others focus exclusively on installation or maintenance. Development within the commercial landscaping industry is characterized by its cyclical nature, influenced by economic factors as is the broader landscaping market, and segmented by project complexity. Projects can range from simple enhancements to more intricate municipal or large corporate ventures. Furthermore, the prevalence of development services varies across end markets and project types, with residential, commercial and municipal sectors each experiencing different levels of demand and required expertise. The development side of commercial landscaping, therefore, can play a pivotal yet variable role depending on the project and company.

Increased outsourcing by institutions and municipalities

Outsourcing rates may also increase among municipalities and institutions due to a combination of existing labor shortages and the number of in-house landscaping professionals who are set to retire over the next few years. Notably, however, the rate at which they outsource is already high, particularly among homeowner associations, multifamily housing units and commercial customers.

More emphasis on sustainability and energy efficiency

Water restrictions are likely to lead to increased spend on irrigation installation and related services — including repairs — in particular markets. The California State Water Resources Control Board, for example, has enacted regulations that require only limited runoff of potable water as well as restrictions around sprinkler use. Such regulations increase the need for higher-margin enhancement services within commercial and municipal landscaping, like planting trees and shrubs that meet sustainability criteria. And some regulations, such

as those related to the development of master-planned communities, add green space requirements that not only benefit landscape development but increase the installed area for landscaping maintenance. For example, Indianapolis adopted a landscaping ordinance¹ that sets minimum requirements for the types of landscaping that can be used.

Municipalities and commercial spaces are also addressing sustainability and energy efficiency through various landscaping measures. Athletic fields, recognizing the ecological and water-saving advantages, are increasingly opting for synthetic turf over traditional grass. Simultaneously, urban areas are adopting green infrastructure solutions like permeable pavements and green roofs to mitigate stormwater runoff and improve energy efficiency through natural insulation. These initiatives collectively highlight a growing commitment to environmentally conscious and energy-efficient landscaping practices and present new opportunities for landscaping companies.

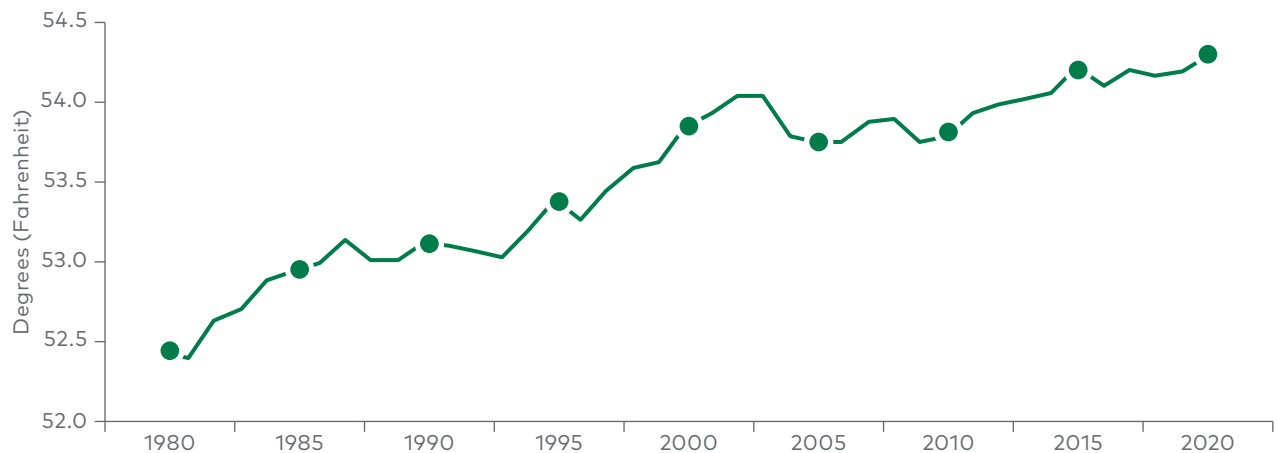
The initial adoption of electric and autonomous mowers is also a clear nod to the industry's burgeoning commitment to eco-conscious practices. Adoption of these emerging technologies is driven not just by sustainability but also by their potential for cost savings. Moreover, the autonomous capabilities of these mowers present a strategic response to the labor market's fluctuations, ensuring consistent productivity. Manufacturers, distributors and landscaping providers alike are utilizing this technology.

John Deere has been investing in R&D for electric and autonomous lawn equipment and has committed to delivering 20-plus electric and hybrid-electric product models to the construction market by 2026.² Swedish Husqvarna, a global leader in outdoor power equipment, has brought a range of autonomous mowers to market,³ both for residential use and for commercial use. SiteOne,⁴ a distributor, carries a range of electric mowers; Yellowstone Landscape,⁵ a landscaping provider, invests in robotic mowers to service customers. Across the value chain, this trend represents the potential to combine sustainability, technological sophistication and operational efficiency.

The proliferation of urban trees

An estimated 5.5 billion urban trees grow in the U.S.;⁶ this number is expected to grow at a rate of approximately 2% a year through 2060. Urban trees always require landscaping care, but especially so given climate change (see Figure 2), which makes them grow faster⁷ yet causes disease and increases the likelihood they will be damaged by extreme weather events such as storms.

Figure 2
Contiguous US 10-year average temperature (1980-2020)



Source: National Weather Service; L.E.K. research and analysis

The uptick in the number of trees is also driven by urban planning and design. The integration of green space and urban forests has become more common in urban planning, which increases the need for trees. Cities are recognizing the value of these trees in creating aesthetically pleasing environments and promoting overall well-being. Similarly, municipalities and governments are incorporating more tree protection and planting regulations into urban planning policies. These policies may mandate tree planting requirements for new developments or for the preservation of existing trees, contributing to the growth of urban tree canopies.

Furthermore, the economic benefits of urban trees include increased property values, energy savings through shading and cooling effects, and potential cost savings in stormwater management. These economic considerations make urban tree planting attractive.

Urban trees grow faster but also die younger, creating continued landscaping installation demand. City trees grow faster because, unlike their forest counterparts, they have less competition for light from their neighboring trees. Trees on the street also benefit from a higher level of nitrogen in rainwater and the air, which helps plants grow. These urban trees tend to die younger, however, due to car accidents, disease, and roads and sidewalks that often do not leave big tree roots much room to continue growing. Additionally, one study found that an estimated 1.4 million urban trees may die⁸ between 2020 and 2050 as a result of invasive insects.

Transformative role of outdoor living spaces

As the concept of outdoor living spaces evolves, it emerges as a pivotal factor reshaping the opportunities for landscaping companies. Beyond being mere extensions of the home,

outdoor living spaces have become dynamic hubs of social activity and relaxation, blurring the boundaries between indoor and outdoor areas. This transformation is not only a reflection of changing lifestyles but also a driver for landscaping firms, as Americans increasingly invest in creating functional and aesthetically pleasing outdoor environments. Understanding the growing importance of outdoor living spaces is crucial for landscaping companies seeking to align their services with the surging demand for comprehensive and outdoor experiences.

Outdoor living spaces are composed of a wide range of product categories including trellises, gazebos, decking and railing, fencing, freestanding furniture (conversation sets, dining sets, etc.), landscaping (grass, synthetic turf, trees, plants, etc.), outdoor kitchens (cabinetry, countertops, appliances), outdoor lighting, patios and walkways, and pools and spas. These spaces are increasingly erasing the line between indoor and outdoor activities, with an increased emphasis on becoming both more functional and more aesthetically pleasing (see Figure 3).

Americans are investing more in their outdoor spaces than ever before so they can entertain and socialize at a similar comfort level as they might indoors. Outdoor living spaces remain one of the most popular special function rooms, and the majority of architecture firms

Figure 3
Portion of category aligned to outdoor products

Product category	Portion of category* aligned to outdoor living projects (as opposed to stand-alone purchases)
Decking and railing	High
Outdoor kitchen	High
Grills	Medium/low
Pool/spa	High/medium
Heating elements	High/medium
Patio/walkway	Medium
Freestanding furniture	Medium/low
Retaining/seating wall	Medium
Landscaping (including turf)	High/medium
Outdoor lighting	Medium
Water features	Medium/low
Arches, pergolas, etc.	Medium
Fencing	Low
Pots and planters	Medium/low

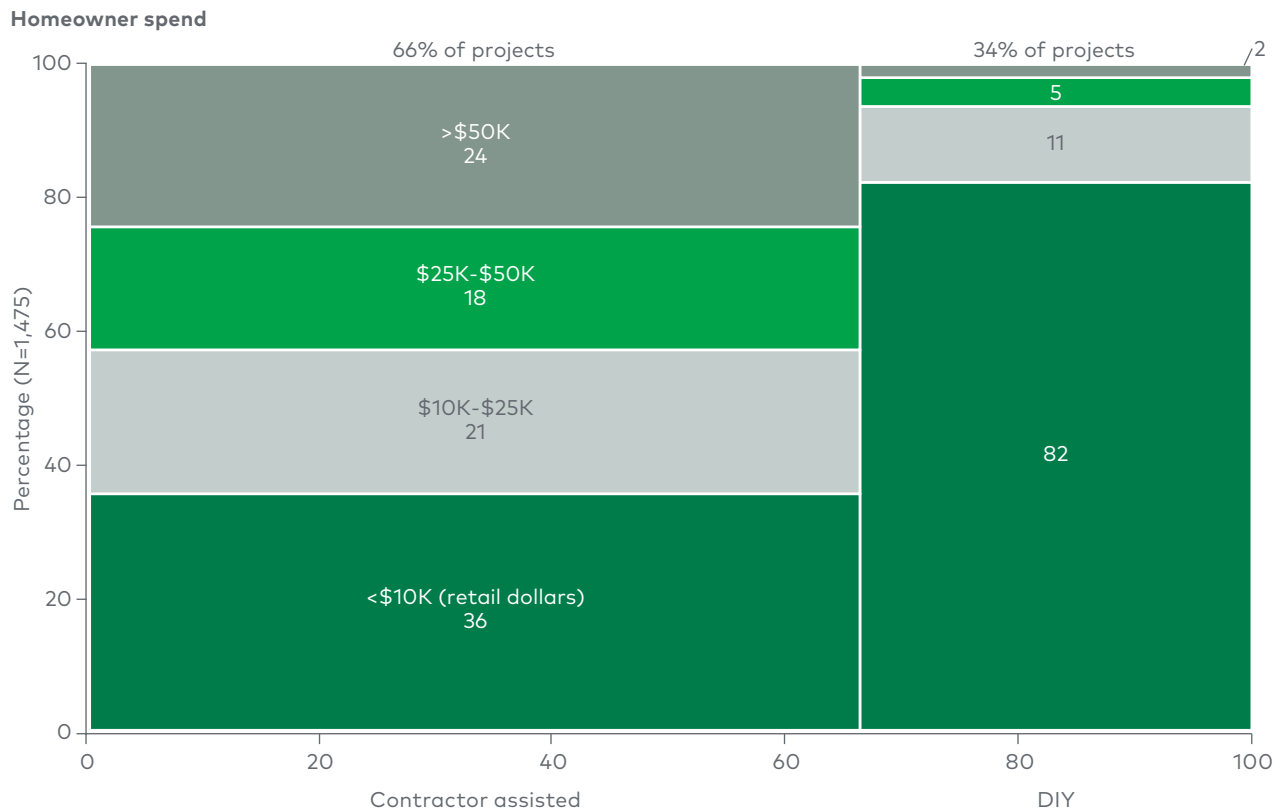


*Portion of category reflects how frequently that product is bundled with another project as part of a greater outdoor living project versus a stand-alone replacement or upgrade
Source: L.E.K. research and analysis

surveyed by the American Institute of Architects report the popularity of outdoor living spaces increasing in 2023. In fact, about 85% of home experts say that homeowners likely assigned roughly 25% of their overall home remodeling budget to their outdoor living space in 2023.

Outdoor living projects tend to be quite large, with the average homeowner spend on an outdoor living project sitting around \$25,000 (see Figure 4). Contractor-assisted projects tend to be much larger (about \$34,500 average) than DIY projects (about \$6,500).

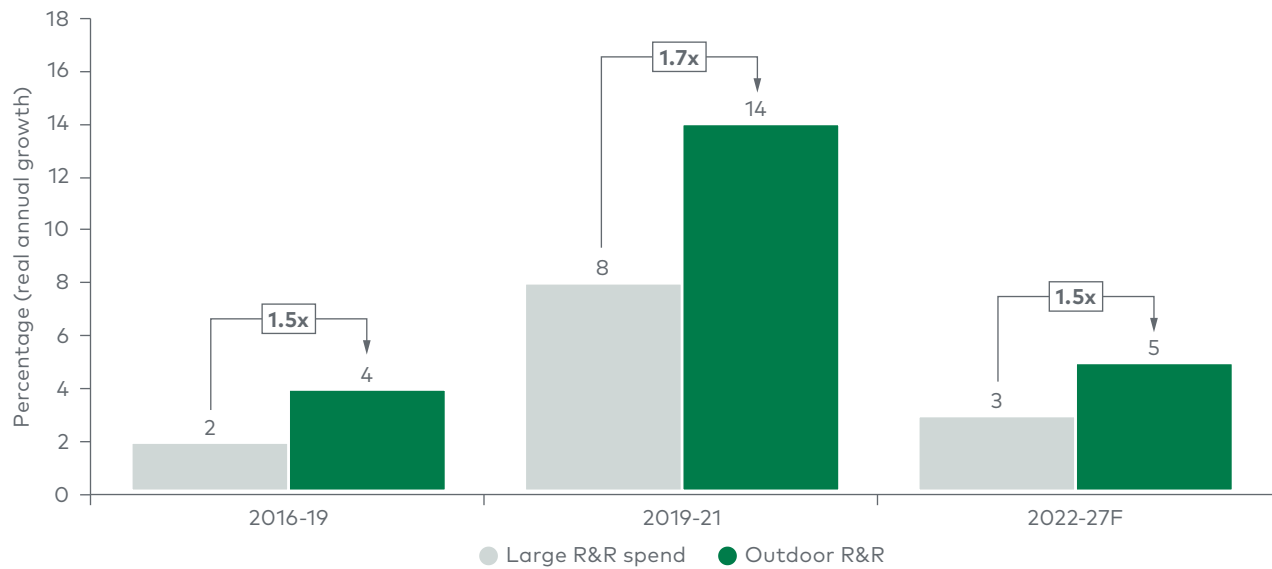
Figure 4
Average outdoor living project size



Source: L.E.K. research and analysis

From a growth perspective, spending on outdoor projects has historically outpaced the rate of overall remove and replace (R&R) spend, with that trend accelerating in 2016-21 vs. 2010-16. Outdoor R&R spend experienced 14% growth from 2019 to 2021 (1.7x more than large R&R spend), a trend that is expected to hold in the long term (see Figure 5). Additionally, Home Improvement Research Institute (HIRI) surveys have shown consistent growth in outdoor living projects, with the proportion of surveyed homeowners who invest in outdoor living products growing from about 19% in 2016 to around 31% in 2022.

Figure 5
US annual large R&R spend vs. outdoor R&R spend



Note: R&R=remove and replace
Source: L.E.K. research and analysis

The benefits of scale

Services businesses have several key levers to pull for scaled growth: the organization and performance (O&P) operating model, strategic geographic growth, digital marketing effectiveness, and pricing effectiveness. O&P considerations such as which functions to centralize, how to manage local or regional operations, and how to manage customer acquisition can all be adjusted to fit the scaling needs of a growing organization. Geographic prioritization, combined with evaluation of regional trends across weather, new construction put in place and population growth, can help landscaping companies target the most attractive markets with which to scale.

Companies that scale effectively also excel at the digital customer life cycle of awareness, consideration, selection, fulfillment and engagement, with each step requiring effective customer touchpoints to support and close the acquisition of a new customer. Lastly, scaled organizations have better insight into how to define and price according to different customer segments, resulting in better pricing execution and higher overall billings.

Scale brings myriad benefits to commercial landscaping, including a heightened capacity to navigate labor shortages through a more compelling labor value proposition, thanks to an advantaged position (given a greater number of locations) for H-2B workers. While materials

purchasing is more dispersed among multiple products compared to some categories (e.g., HVAC), there are still opportunities to achieve purchasing efficiencies (especially given a consolidating distribution landscape) and to achieve preferential delivery when materials shortages arise. Larger companies also excel in meeting on-time deliveries, responding promptly to shifts in demand, and ensuring efficient operations across the entire landscaping value chain by investing in operational practices and management of density. Furthermore, they can more easily provide a full range of services and demonstrate a robust ability to adapt to expertise-driven services (e.g., irrigation, arbor services) by harnessing the full potential of cutting-edge technologies.

In the face of materials shortages, larger commercial landscaping players are able to obtain the supplies and equipment needed more quickly than smaller ones can. Supported by a strong value proposition, larger players may also be able to offer improved career paths — and potentially higher wages — to employees. They also have more resources to navigate the complex H-2B visa program and take better advantage of its benefits. The H-2B program can be an “all or nothing” proposition. For example, a landscaping company that requests temporary workers will receive an allocation only by accepting it within a specific local market. So whereas a single-branch operation has one shot to get its allocation of workers, a company with 10 branches will have multiple shots at getting at least some of its allocations for some of its branches.

Larger players are also better positioned when it comes to meeting the rise in demand for outdoor living solutions and related landscaping services, as customers are placing a greater value on speed and responsiveness. In an L.E.K. survey conducted in 2021, on-time delivery was the top selection criterion for installers when selecting distributors, ahead of pricing.

The management of larger commercial landscaping players is more professional than it is at smaller companies. These managers can drive efficiency by planning and scheduling crews and by redeploying resources across their geographic footprint as demand spikes in one area over others. The scale of larger players also increases efficiency, such as by creating more density within particular locations, optimizing truck routes and lowering transportation costs.

A shift toward awarding “sole-source” contracts to full-service landscaping providers benefits larger players as they are better positioned to meet expanded requirements. These sole-source relationships can enable more alignment and allow for better quality control, presenting the

opportunity for stronger partnerships with deeper understanding of the client's needs and preferences, which can result in a more tailored and efficient service.

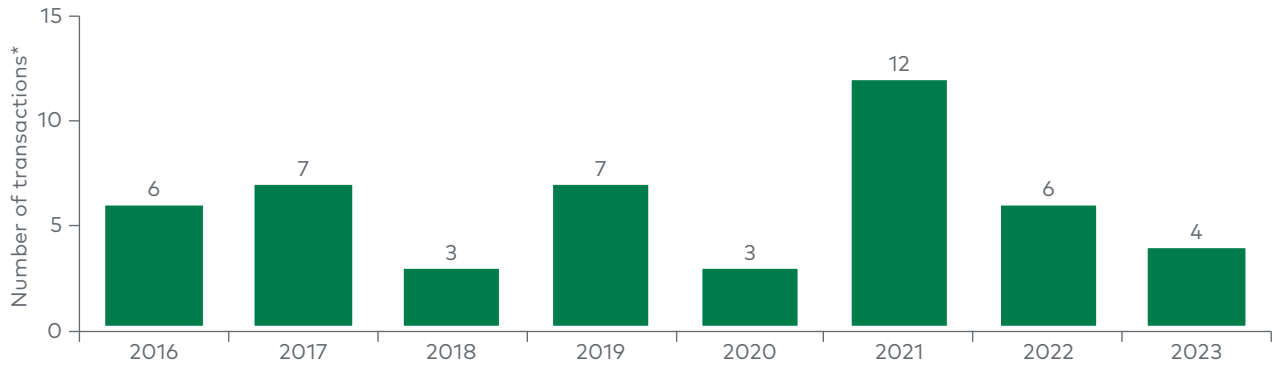
The growth of expertise-driven services also favors scale players. For example, irrigation requires technical capabilities that larger players are better able to deliver. Indeed, technology offers larger players multiple opportunities to differentiate themselves from the competition, close sales and retain customers. Examples of technology include the following:

- BrightView Connect⁹ allows customers — who increasingly appreciate solutions that allow them to make requests, see live updates and aggregate data — to submit and track service requests, among other functions. For instance, a facilities manager could walk a property and submit service requests (e.g., for a damaged tree) in real time. This type of technology is harder for smaller players to deploy.
- Yellowstone Landscape¹⁰ is investing in robotic lawn mowers for hard-to-reach areas like very steep slopes. While such technology may be applicable only to specialized (e.g., institutional) needs, it provides a point of differentiation.
- TruGreen¹¹ uses Microsoft virtual bots to enhance customer service.
- Bartlett¹² has developed a solution for taking inventory of and managing services related to trees using GPS.
- Juniper Landscaping¹³ utilizes drones for the inspection and mapping of properties. It claims that doing so saves labor costs and allows estimators to measure the property through annotations in an easier and more efficient way.
- Electric Sheep¹⁴ is a robotics company that is purchasing landscaping companies and rolling out artificial intelligence-powered autonomous lawn mowers to increase the value of these businesses.
- GreenSight¹⁵ has developed drones to map agricultural land more accurately.
- Greenzie¹⁶ is a company that develops robotic conversion kits for legacy gas-powered lawn mowers.

Consolidation throughout the value chain

Consolidation is also occurring up the value chain. The pace of consolidation has increased across hardscape and softscape distribution, led by some key players (see Figure 6).

Figure 6
US commercial landscape distributor M&A transactions (2016-23)



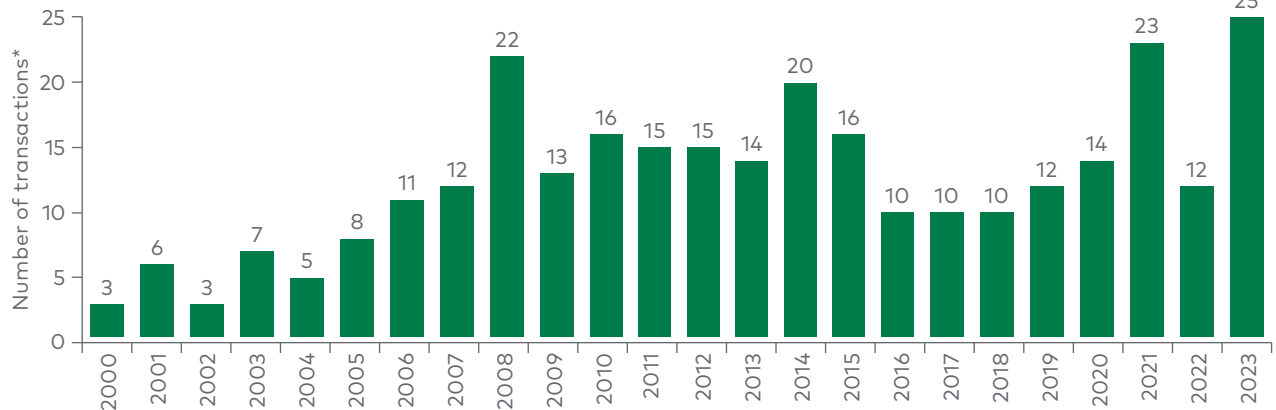
*Transaction screening criteria include lawn, garden and landscape industry classifications of target companies and distributor classifications of buyers/investors
Source: S&P Capital IQ; L.E.K. research and analysis

For instance, Heritage, a subsidiary of SRS, acquired over 50 locations by way of acquisitions across landscaping/hardscaping since 2020. Another example is SiteOne, which has established a national footprint through organic and inorganic expansion across the U.S. and Canada since its initial public offering in 2016. BFG Supply Co. and the Hawthorne Gardening Supply Group are also top acquirers in the space.

Distribution, much like the installation and maintenance business itself, still remains relatively fragmented. But the emergence of platforms and new models can encourage more consolidation and the creation of more scaled models – and vice versa.

The number of M&A transactions for commercial landscaping service providers – and the pace at which they are taking place – has also been increasing (see Figure 7).

Figure 7
US commercial landscape maintenance M&A transactions (2000-2023)



*Includes landscape architectural services, lawn and garden services, and ornamental shrub and tree services
Source: S&P Capital IQ; L.E.K. research and analysis

In the past five years, the pace of consolidation has increased steadily — a trend that is expected to continue. In fact, the level of fragmentation in the industry leaves significant opportunity for further consolidation. L.E.K. estimates that local providers, for example, currently account for 80%-90% of the market. There is even fragmentation in more specialty services; recent analysis by L.E.K. put the percentage of professional arborists in the U.S. working at small tree-care services companies with under five crews at 70%-80%.

Acquirers of landscaping companies are increasingly institutional investors and national brands. Some examples follow:

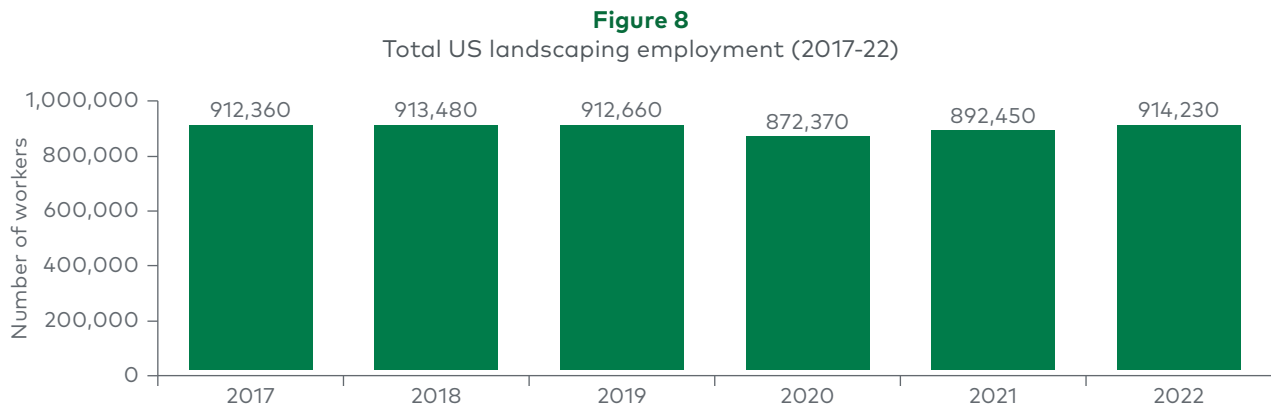
- GTCR Private Equity bought National Turf Service (July 2023)
- HCI Equity Partners bought:
 - Grasshopper Lawns¹⁷ (July 2023)
 - Custom Lawn Care Inc.¹⁸ (August 2023)
 - Delaware Valley Turf and Brookside Lawn Service¹⁹ (January 2024)
- Bregal Partners invested in Portco Juniper Landscaping, which has acquired Flawless Lawncare and Landscaping²⁰ (January 2022)
- Crux Capital invested in the commercial landscaper Superscapes,²¹ which bought Newman Lawn Care (January 2024)
- Golden Gate recapitalized Virginia Green to start the year²² (January 2024)
- Morgan Stanley Infrastructure closed a \$792 million deal for Valoriza Servicios Medioambientales, SA (June 2023)
- BrightView has acquired:
 - TDE Group (March 2022)
 - Smith's Tree Care (January 2023)
 - Apex Landscape Group (November 2022)
 - Syringa Landscape (August 2022)
 - Intermountain Planting (February 2022)
- Tivest-backed LMC Landscape Partners acquired Cutters Edge (January 2024)

Labor dynamics creating potential headwinds

The landscaping industry is not without risks, with labor dynamics one key area of risk that requires strategic management and monitoring.

Declining employment and broader immigration trends

Like many industries, landscaping has seen declining employment, and at a slightly faster rate than the U.S. average, falling 0.4% per year between 2017 and 2021. However, employment rebounded in 2022 with 2.4% growth from 2021 (see Figure 8).



Source: Bureau of Labor Statistics SOC code 37-3011, "Landscaping and Groundskeeping Workers"; L.E.K. research and analysis

Some of this loss of labor is due to retirement, which more and more people are embarking on across the U.S. Plus, the average age of landscaping professionals is 41,²³ which means some workers are 50 and over and, as such, may retire sooner rather than later.

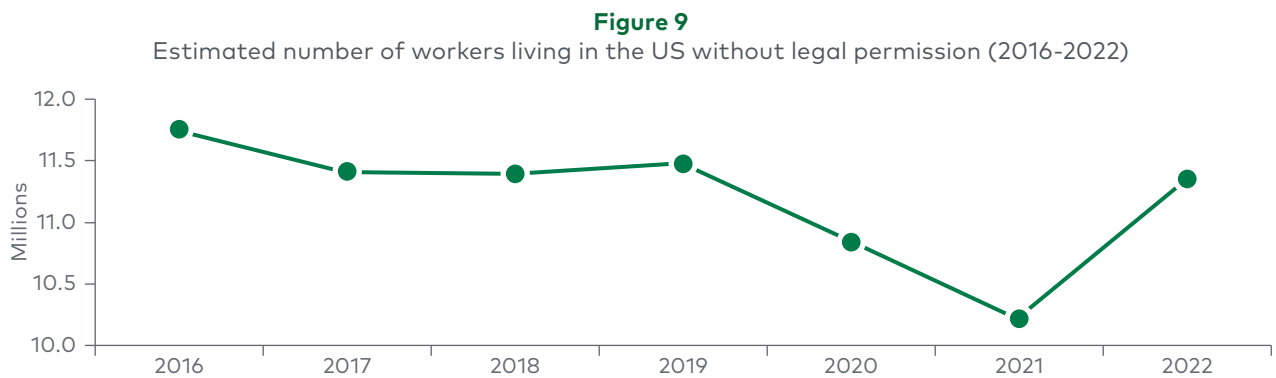
Landscaping also has a high proportion of immigrants in its workforce. The overall level of immigration has declined since 2017; according to one study, if the level of immigration had continued at pre-2017 levels, the U.S. would have an estimated 2.4 million more workers now,²⁴ equivalent to around 1% of the current working population. Although large numbers of immigrants arriving to the U.S. throughout 2023 offset some of these headwinds, stricter laws, efforts to expel immigrants by busing them to northern states from states like Florida and Texas, and the potential for immigration reform may have a negative impact on the landscaping labor force in the future.

But labor shortages, while endemic, may not necessarily be deteriorating further, as evidenced by a rising number of landscape workers in 2022. In the second half of FY 2022, the U.S. Department of Homeland Security and the U.S. Department of Labor made an additional 35,000 H-2B temporary visas available, followed by an additional 65,000 visas available in FY 2023, and more recently, 21,000 visas for the first half of FY 2024. Additional visas are

typically made available to returning workers from the past three years, which benefits the more established players if those workers return to them.

This uptick in H-2B visas and the increase in the landscaping labor pool may be short-lived, though, depending on the results of the upcoming election. If former President Donald Trump wins, there could be complications for the H-2B program and the overall landscaping labor market. Demand would continue to rise for H-2B visas, while supply likely would not increase to meet demand, which would make it even tougher for smaller landscaping companies to get access to the labor pool they need.

Landscaping also includes a proportion of workers living in the U.S. without legal permission. While reliable estimates are hard to determine, some put the proportion of these workers in landscaping at approximately 20%. And although the number of workers who have illegally immigrated to the U.S. fell during COVID-19, there is some evidence that it has since returned to prior levels (see Figure 9).



Source: Department of Homeland Security; Center for Immigration Studies

While a definitive number for 2023 is unavailable, the Center for Immigration Studies²⁵ estimates the unauthorized immigrant population has increased by 2.5 million since January 2021. This would suggest a total of 12.7 million unauthorized immigrants in May 2023 (when the latest data is available), but there is potential for undercounting. With Title 42 public health restrictions lifted in May 2023, there was an increase in border crossing, which has impacted the unauthorized worker population. December 2023 saw the highest monthly total of migrant encounters ever recorded. A stronger U.S. economy at the end of 2023 going into 2024 is likely attracting more unauthorized workers seeking employment. There have also been increased efforts to ensure fair treatment and safety for all landscaping workers, regardless of immigration status. This includes initiatives for worker education and training programs, which will make the landscaping sector even more attractive to unauthorized workers and keep a strong source of labor intact.

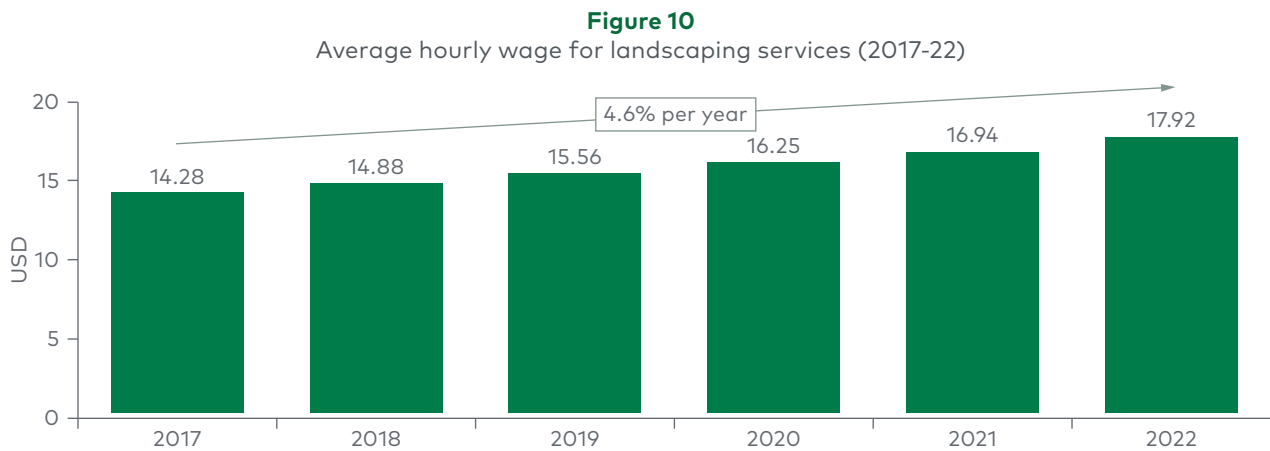
Risks also need to be considered at the state level. For instance, Florida has put in place an E-Verify process that may put downward pressure on labor in this market and drive up employment costs for landscaping companies. Through the E-Verify process, employers verify the employment eligibility of new hires. It is meant to curb illegal immigration by imposing penalties on employers that hire unauthorized workers, making it more difficult for unauthorized workers to find employment in the state.

In the meantime, the landscaping industry may be entering a new phase of managing labor costs, one with a more positive dynamic. But additional time and data will be needed to see if the industry can sustain recent progress.

Navigating cost dynamics

Historically, prices have tended to match increases in labor costs, whereas labor costs more recently have outpaced price growth, resulting in some margin compression. While price increases have tended to be modest, customers are sometimes unwilling to pay more for what they consider to be basic services, so increases have been achieved through service cuts instead. Meanwhile, the fragmentation of the industry and its low entry costs mean there will always be small local players that compete on price.

Labor and other input costs are rising rapidly, at a rate similar to the U.S. average (see Figure 10). Those increases have led to margin compression for certain players, in some cases due to timing – for example, the delay between the rise in costs and the need to update contract pricing at a later date. But more recently, rising inflation has led to greater acceptance of price increases. The industry is also signaling that it can better manage costs and margins. While there is some evidence that it can, monitoring this issue will be key.



Source: Bureau of Labor Statistics SOC code 37-3011, "Landscaping and Groundskeeping Workers"; L.E.K. research and analysis

Residential landscaping

Comparison to commercial landscaping

Residential landscaping shares several similarities with commercial landscaping, although with notable distinctions. Both sectors offer a range of services, from basic maintenance to design and development projects. However, market dynamics differ; while commercial landscaping often involves larger projects with more equipment, higher capital expenditures and more experienced teams, residential providers cater to smaller-scale projects with quicker turnaround times and less upfront cost.

The demand for landscaping services in both sectors is influenced by the overall construction market, with growth being stronger during periods of increased construction activity. Additionally, water-efficient landscaping trends impact both markets, with a surge in water restrictions leading to a notable shift toward sustainable alternatives such as turf. As both sectors navigate challenges and capitalize on opportunities, the consolidation trend observed in commercial landscaping is also influencing the single-family residential landscaping market, albeit with distinctions based on project scale and service offerings.

Diverse landscape needs in residential settings

Single-family residential landscaping reflects the diverse needs and preferences of homeowners, ranging from basic lawn care and maintenance to elaborate landscape design and construction projects. Some popular trends include sustainable landscaping, low-maintenance solutions, outdoor kitchens and living spaces, and water-efficient landscaping. Common services offered by single-family residential landscapers include:

- **Landscape maintenance and lawncare.** Mowing, aeration, trimming, weeding, fertilizing, seeding, pest control, irrigation system maintenance, dethatching, soil testing, mulching, pruning, trimming, edging
- **Landscape design and construction.** Hardscaping (patios, walkways, retaining walls), softscaping (planting, mulching), lighting, water features
- **Specialized services.** Tree removal, snow removal, holiday lighting, outdoor fire pits and grills

Though ubiquitous, not all landscaping services are necessarily considered an essential service. Landscaping demand growth typically follows that of the residential construction market and is stronger when new construction is stronger. During a recession, general landscaping maintenance is "stickier" than full-scale landscaping redesigns or redevelopment. Some homeowner associations and municipal governments also have requirements for residential lawns to remain below a certain height, supporting the market in downturns. Furthermore,

lawn and landscaping services are the most common “do-it-for-me” services hired, with 43% of the population utilizing these services (per HIRI). This percentage is expected to rise as younger generations (who increasingly outsource services) move to the suburbs and rent or buy houses with more green space. These outsourcing trends, alongside a decrease in buying lawn equipment and supplies, indicate rising and enduring landscaping services demand over the long term.

Water restriction impact on residential landscaping

In addition to homeowner association and municipal government requirements, a surge in water restrictions has spurred a notable shift toward water-efficient alternatives for residential yards, with turf gaining prominence as a sustainable solution to conserve water. This shift can serve as a tailwind for landscaping companies, presenting a dual opportunity. While the installation of turf eliminates the demand for the traditional maintenance services that landscaping companies often provide for natural grass, it also opens a new avenue for landscaping companies to specialize in the installation of artificial grass. As water-efficient landscaping gains traction, the demand for turf installation as a sustainable solution is likely to grow, and farsighted landscaping companies can leverage this trend by offering expertise in turf installation.

Consolidation of residential landscaping

The market for single-family residential landscaping services can be considered more fragmented than commercial landscaping is. Commercial landscapers often price larger projects served with more equipment and larger, more experienced teams. Single-family residential providers, by contrast, incur less upfront cost, given smaller-scale projects and less expertise required, and can begin servicing customers more immediately.

How to win

Winning in the commercial landscaping industry requires capitalizing on the benefits of scale and gaining market share. The growth of landscape maintenance is primarily a function of the footprint of commercial locations, which grows slowly. Landscape development, on the other hand, can experience fast growth, but it is a smaller part of the overall commercial landscaping market and is a function of new construction.

Commercial landscaping players that achieve scale through the breadth of services they offer, the specialization of their staff, and a greater geographical presence than the competition’s become more attractive and reliable partners than local players do. At the same time, acquiring local or smaller players (typically in new markets) as opposed to growing organically, and increasing payroll for the same number of laborers, gives larger players direct access to a labor pool. It can also help them grow their offerings as the industry shifts toward sole-source

contracts and as clients seek comprehensive landscaping solutions. Businesses can acquire a larger breadth of landscaping services and can even venture into other development services such as planning and design.

That said, players that do win in this space need to figure out how to apply their scale to better serve small, local property owners in a way that provides homegrown, personalized service at a competitive price. On one hand, greater scale and density can enable a local provider to deliver that same service over time, while scale economics — namely density, purchase terms, use of technology for efficiency and more — have the potential to make larger players more competitive in the eyes of smaller commercial customers. And winners can find more-concentrated niches. For example, more than 90% of tree care work for the utility end market is performed by large companies.

With an increasing emphasis on sustainability and energy efficiency in landscaping practices, businesses can differentiate through value-added, sustainability-focused offerings. This includes investing in irrigation systems, arbor services and synthetic turf offerings. As the focus on sustainability increases in coming years, businesses can get ahead of the curve by investing in innovative solutions and partnering with public and private organizations to build more sustainable operations.

The commercial landscaping industry has wrestled with myriad challenges in recent years, but demand for its services is returning, along with favorable trends and a more robust labor market. As the benefits of scale become increasingly obvious, the consolidation of this fragmented industry is poised to continue well into the future.

In the competitive market of residential landscaping, success hinges on a combination of adaptability, service differentiation and strategic growth. Winning residential landscaping companies can capitalize on their agility, offering personalized and local services that cater to shifting customer preferences. Embracing water-efficient alternatives such as turf and staying attuned to sustainability trends can position companies favorably in a market increasingly conscious of environmental considerations.

Moreover, fostering a strong local presence, efficiently managing labor and costs, leveraging technology for operational efficiency, and maintaining competitive pricing contribute to a winning strategy. As the residential landscaping sector experiences its own consolidation trends, companies that strike a balance between scalable operations and localized, customer-centric approaches are well positioned to thrive in this evolving market landscape.

For more information, please contact industrials@lek.com.

Endnotes

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