



# Charting the Residential Contractor Landscape:

Market Report & Emerging Trends





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# Executive Summary

ServiceTitan surveyed<sup>1</sup> residential service contractors nationwide to gather insights on their business performance in 2022 and their expectations in 2023 and beyond.

Download the 2023 State of the Residential Service Industry white paper to access valuable industry data, discover developing trends, and benchmark your performance against peers.

## Summary findings

### Looking back at 2022

#### A year of diverse outcomes

35% of contractors maintained consistent revenue levels and 26% enjoyed increased revenue, while profits remained the same for 52% of contractors and increased for 35% of them.

### 2023: Snapshot

#### The trend continues

Given current conditions, 50% of businesses anticipate their profits to remain unchanged this year and 67% hold neutral expectations for the market in 2023.

### Expectations 2024 and beyond

#### New technology is the key to success

While 85% of residential contractors already use at least one business software, increased adoption of technology can help the industry achieve its goals of revenue growth, customer retention, and new business acquisition.

<sup>1</sup> The survey was conducted on behalf of ServiceTitan by [Thrive Analytics](#), an independent third-party research provider and a leading digital marketing research firm.

# The State of Residential Service Businesses

As residential contractors close out 2023, it's critical for businesses to gain a deeper understanding of the current environment and navigate the road ahead with precision.

While the industry experienced significant business volume and profits in 2022, today's market trends may present unique challenges and opportunities alike. How will ongoing economic developments affect residential contractors, and what are the best business strategies to continue thriving?

To shed light on the state of the industry, ServiceTitan conducted an extensive survey involving 1,015 residential service contractors nationwide, not solely limited to ServiceTitan customers. The result is a comprehensive study that provides valuable insights and identifies emerging trends. It offers expert analysis to guide your decision-making, giving residential contractors a competitive edge in 2023 and beyond.

## Key findings

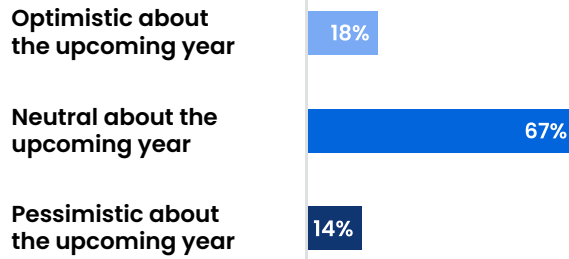
ServiceTitan's study illustrates business performance for residential service contractors in 2022 and industry trends for the present year, as indicated by the following results:

- Despite considerable volume of business, **only 26% of service contractors enjoyed increased revenue in 2022**. Revenue remained the same for 35% of residential contractors, while 38% saw diminished revenue last year.
- In terms of financial gains, **34% of contractors enjoyed increased profits in 2022**. Annual profits remained the same for 52% of respondents, and 13% experienced reduced profitability.
- Across the U.S., **50% service and 50% new construction work is the most common breakdown for residential contractors**.
- **Revenue from 100% projects and new construction was the least common source of income** for residential service contractors in 2022.
- **Residential contracting businesses have a mixed outlook for the current year**. Over half (67%) of them are neutral about 2023, 18% are optimistic, and 14% feel pessimistic. The biggest risks for the year, as identified by survey respondents, are a possible recession, labor shortages, and reduced access to working capital.
- As residential contractors look for ways to scale and grow revenue, approximately one third of businesses (27%) have turned to outsourcing as a solution to streamline their processes. 21% of respondents are not outsourcing yet, but are considering it.
- **29% of residential contracting businesses plan to invest in technology this year as a tool to achieve their goals** of increased revenue (56%) customer retention (50%), and new customer acquisition (46%).

# Industry Outlook, Goals, and Risks

With 71% of last year’s business volume coming from word-of-mouth referrals, and repeat customers accounting for 39% of annual revenue, survey results show mixed views for the industry overall.

## Market Outlook



Given the wide range of nationwide respondents—a mix that included shops of different sizes, different trades, and different revenue spans (\$500k to \$25M)—ServiceTitan took a deeper dive into the data to understand how the type of business, contractor types, and services offered impacts market outlook.

We discovered some variations across trade categories: At 22%, septic trade and refrigeration businesses shared the most optimistic market outlook. However, refrigeration businesses also stood out for having the least neutral perspective; meaning the percentage of shops with pessimistic outlooks actually outpaced those with optimistic ones.

Trade	Optimistic	Neutral	Pessimistic
HVAC	20%	62%	18%
Electrical	20%	66%	15%
Plumbing	19%	65%	16%
Refrigeration	22%	54%	24%
Landscape/ Irrigation/ Turf	19%	71%	11%
Garage Doors	20%	67%	14%
Water Treatment	17%	72%	11%
Septic	22%	72%	7%
Fire/ Safety	15%	74%	11%
Waterproofing/ Restoration	15%	72%	13%

\* Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

When breaking down responses by type of contractor, survey results indicate a greater degree of confidence among those who perform all three kinds of work: specialty, subcontracting, and general contracting.

Type of Contractor	Optimistic	Neutral	Pessimistic
Specialty Trade/ Subcontractor	18%	67%	14%
General Contractor	17%	67%	16%
Specialty Trade/ Sub & General Contractor	21%	67%	12%

\* Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Data also indicates that the way in which contractors split their work between services and projects influences their business outlook. The most optimistic respondents were those whose work is split 50/50 between services and projects, while those who perform mostly project-based or new construction work had the most pessimistic perspective.

Service/ Project Split	Optimistic	Neutral	Pessimistic
100% Service	17%	67%	16%
75% Service - 25% Projects / New Construction	14%	73%	14%
50% Service - 50% Projects / New Construction	24%	64%	12%
25% Service - 75% Projects / New Construction	18%	62%	20%
100% Projects/ New Construction	14%	76%	10%

\* Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

**42%**

of contractors with less than \$1M in income feel optimistic about the current year

**17%**

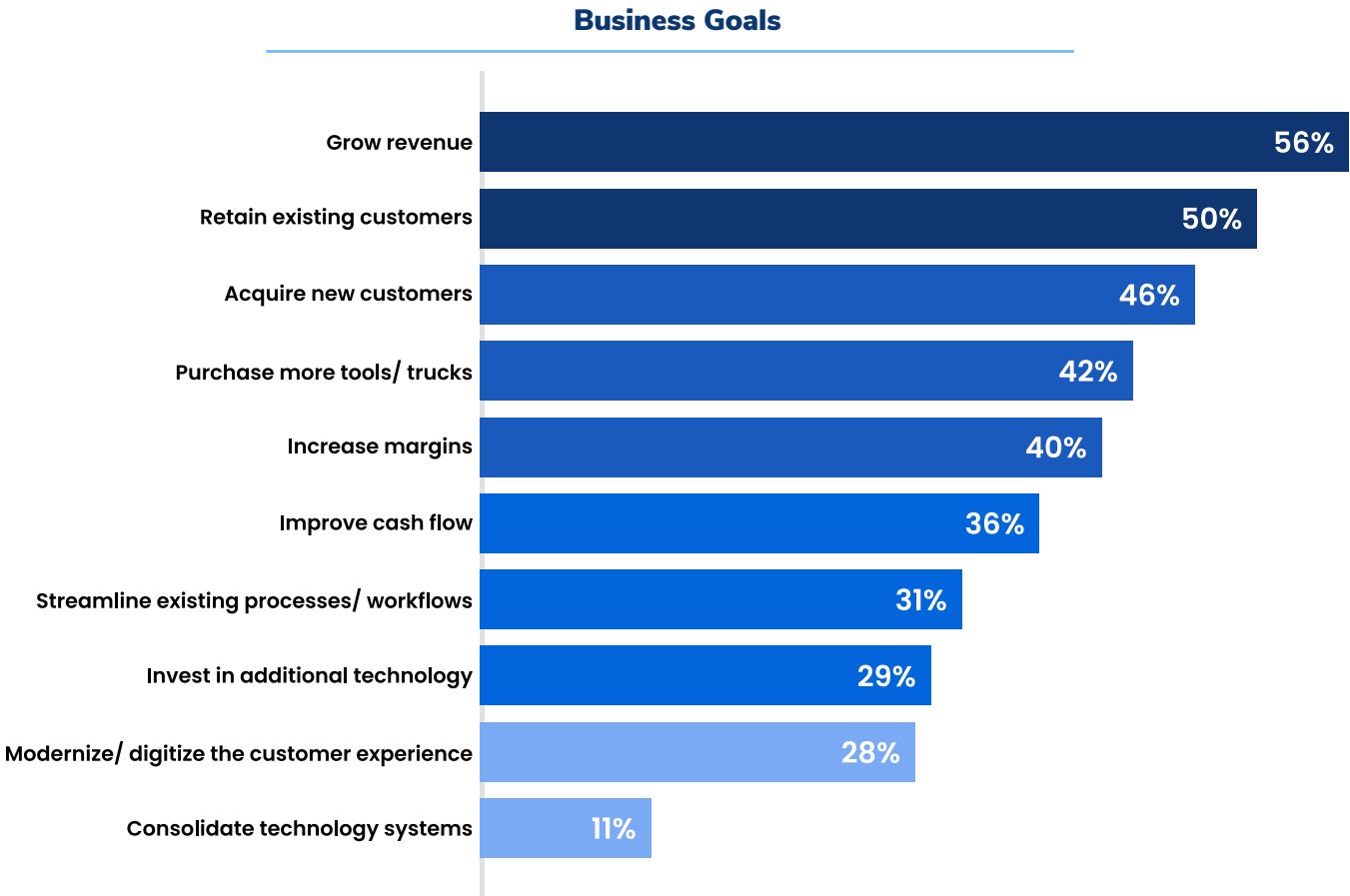
of shops with revenue between \$1M and \$25M had an optimistic outlook for the year

**21%**

of businesses with revenue of \$25M+ felt optimistic about 2023

## Residential contractor goals

Growing revenue and retaining customers were the top priorities for residential contractors in 2023, closely followed by customer acquisition.



## Goal setting and software adoption

While software usage is already prevalent among residential contractors, 29% of survey respondents plan to increase their use of technology this year.

With technology as a key tool to achieve success, 76% of businesses surveyed currently use two to six software providers.

### Residential contractors rely on software for a variety of purposes, including:

Business Management: 63%

Accounting: 42%

Payroll: 33%

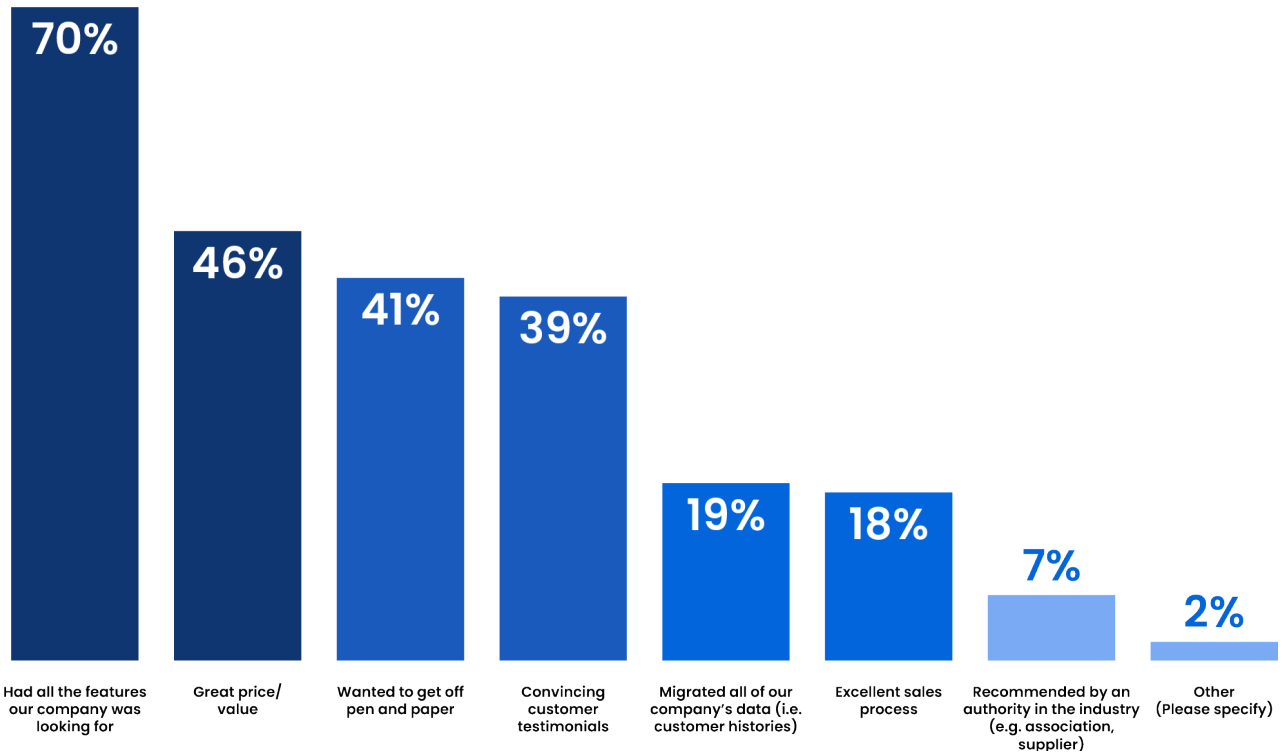
Field Service Management: 48%

Enterprise Resource Planning: 38%

Human Resources: 33%

Considered critical for business, Field Service Management software helps contractors schedule service calls, boost productivity, and optimize resources. For 70% of survey respondents, the main reason for choosing the current Field Service Management software was the product features. Data indicates that most businesses have enjoyed some efficiencies and enhanced capabilities while using Field Service Management software—36% of businesses that don't currently use Field Service Management software plan to adopt a platform this year.

### Reasons For Field Service Management Software



Other top-of-mind technology investment areas for contractors include:

Accounting

Time Management

Payroll

Inventory Management

Fleet Tracking



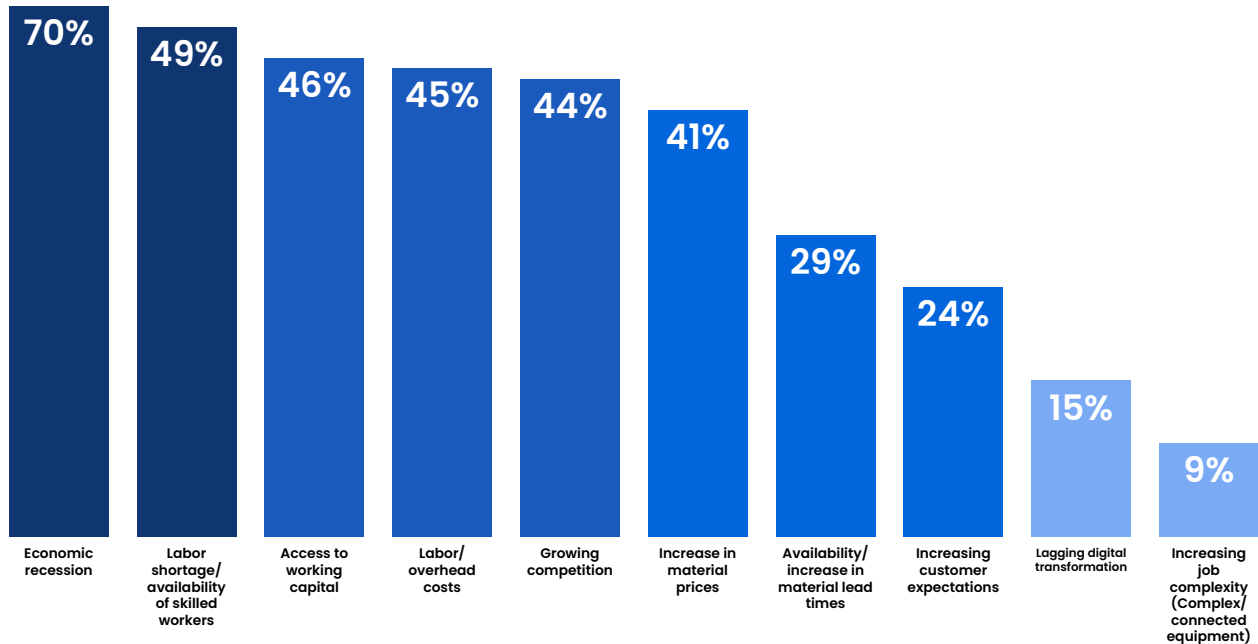


## Obstacles to achieving business goals

Although the business objectives of respondents align with current market conditions, residential contractors foresee challenges in achieving their 2023 goals.

With concerns of a potential recession compounded by increasing prices, contractors have identified a series of factors that could jeopardize their goals for the year.

### Biggest Risks To Meeting Goals in 2023

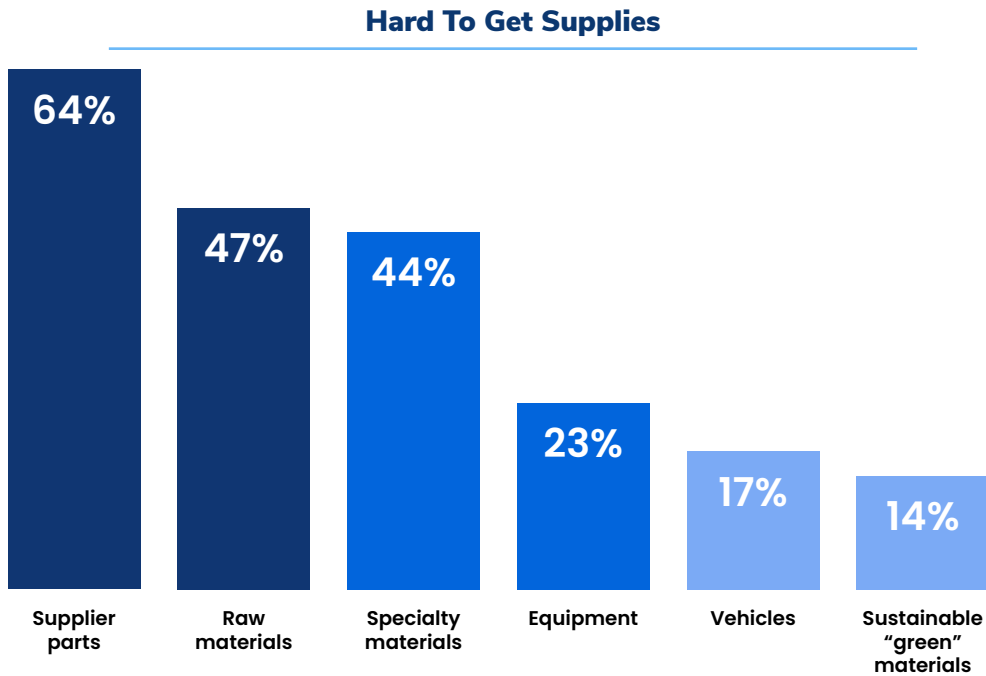


# Emerging Trends in the Residential Service Industry


In 2023, residential contractors have faced ongoing supply chain issues coupled with rising costs. These challenges have influenced the way businesses operate and their plans for the year.


## Continued supply problems

The impact of COVID-19 is still being felt across many industries, and residential contracting services are not the exception. The pandemic along with economic downturn, natural disasters, and warehouse capacity shortages have created extended supply chain issues that contractors continue to navigate.



As supply chain issues persist, where are contractors purchasing the majority of their materials now?

 **60%**  
directly from the  
supply house

 **23%**  
directly from the  
manufacturer

 **17%**  
directly from  
the vendor

**Key takeaway:** Supplier diversification is an effective strategy that can help contractors create a more resilient supply chain and could help increase profits.

## Rising costs and salaries

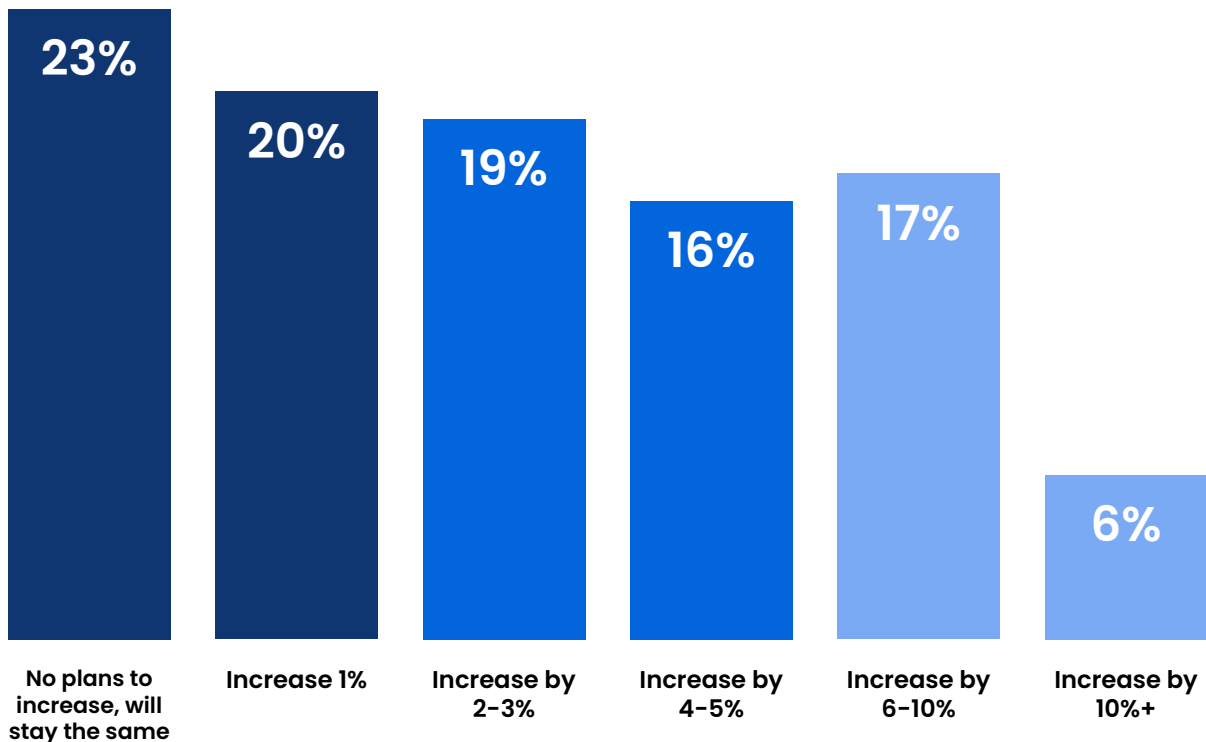
As increasing costs continue to pose challenges for residential contractors, having a strategic approach becomes crucial to mitigating the impact of the current economic landscape.

To combat increasing costs, some contractors expect their service prices to change through the end of 2023.



Hiring and retention challenges are not new to the trades industry. In order to keep good technicians on their team, the bulk of contractors (39%) will increase technician salaries between 1-3%. Trailing closely behind, 38% of respondents stated that they will increase tech pay by 4% or more.

### Technician Salary Changes in 2023

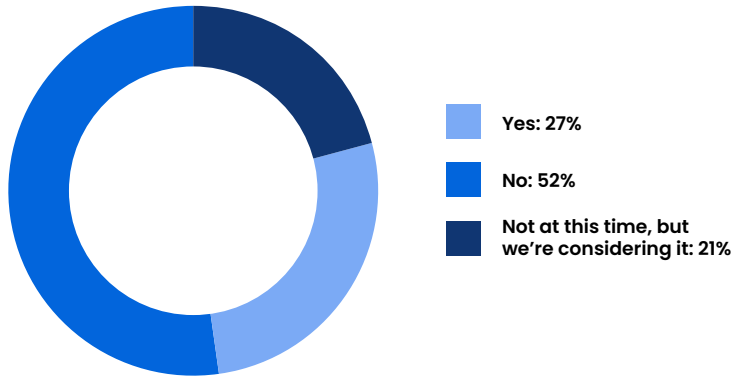


**Key takeaway:** In addition to salary increases, technology adoption can also help businesses retain and attract top talent. With the right software solutions in place, you can improve worker satisfaction, simplify daily tasks, and encourage professional development.

## Unlocking potential through outsourcing

To overcome supply and cost challenges, many residential contractors have already turned to outsourcing as a solution to achieve their business goals. Others are starting to consider it.

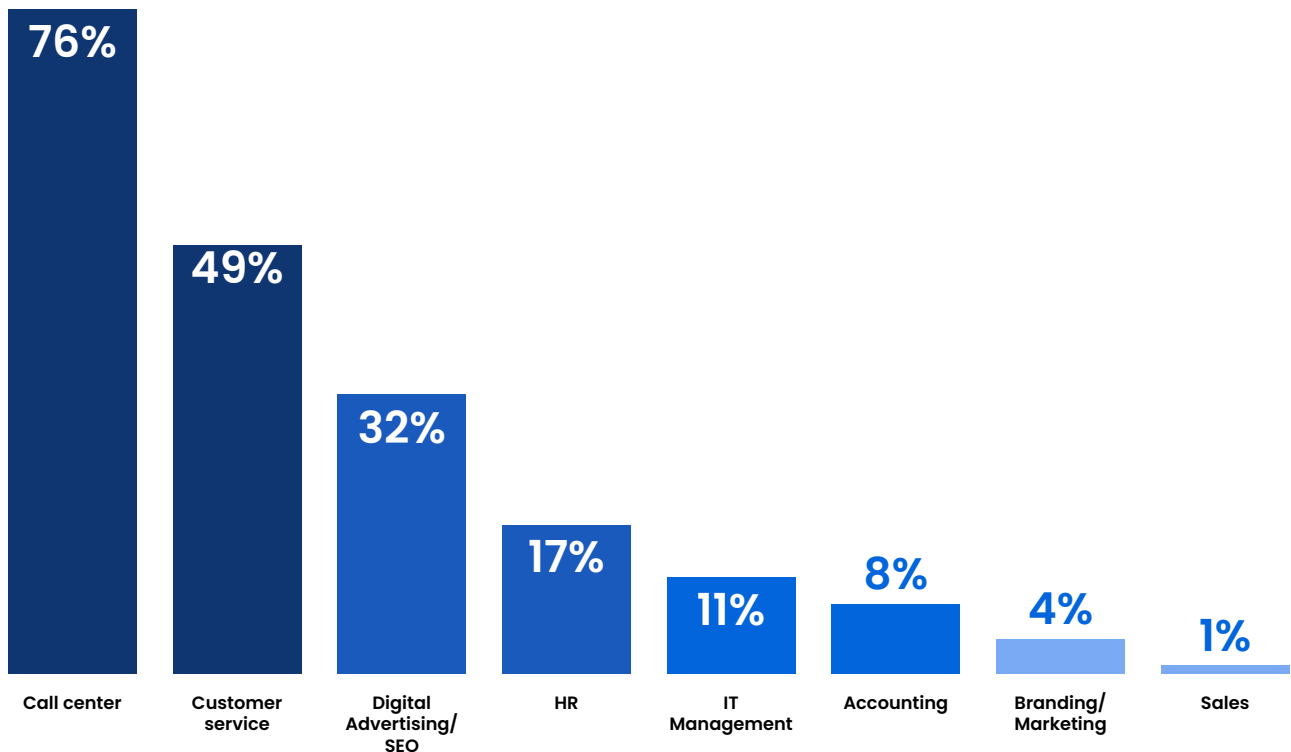
### Outsourced Services



With revenue growth, market acquisition, and customer retention as contractors' top priorities for 2023, outsourcing can be an effective method to achieve these goals.

Among those who outsource, 30% are larger businesses with 40+ technicians. Following closely behind are shops with 27 to 39 techs, with a 27% outsourcing rate. In contrast, residential contractors with three to 20 technicians have a relatively lower outsourcing rate of 14%.

### Services Outsourced



**Key takeaway:** By delegating certain tasks to external partners who specialize in those areas, you can focus on your core business while benefiting from increased efficiency and expertise. Outsourcing also allows you to centralize your operations and offer a more consistent customer experience—especially as you scale your business across state lines and trades.

## How outsourcing impacts revenue

Survey outcomes reveal that the decision to outsource often depends on the size of the shop. Of the 27% of respondents who do outsource, 40% had revenues of \$25M+.

The revenue levels of residential contractors who engage in outsourcing are as follows:

Less than \$1M: **21%**

\$1-2.5M: **10%**

\$2.5-5M: **23%**

5-15M: **29%**

\$15-25M: **27%**

\$25M+: **40%**



**Key takeaway:** Embracing the power of an all-in-one technology can streamline your operations, eliminate the hassle of using multiple software tools, and eliminate dependency on third-party service providers. This centralizes your essential operations into one manageable solution, with the ability to outsource from the same platform.

# Industry Benchmarks

During periods of market fluctuations, benchmarks offer contractors insights into their business performance compared to their peers. Understanding where you stand relative to your competitors can inform your decision-making process and help you achieve your business goals.

## Revenue

Revenue is a key performance indicator (KPI) that measures sales over time. Especially when viewed within a larger context, tracking revenue gives contractors insight into business growth while also helping you better understand demand for your services.

### 2022 revenue

Overall, the residential contracting industry experienced decreased (38%) or stagnant (35%) revenue last year. Only 26% of respondents indicated a growth in revenue for 2022.

According to the survey data, the businesses that enjoyed revenue growth in 2022 were larger companies that historically generate more revenue on an annual basis.

Change in Revenue <sup>2</sup>	Less than \$1M Revenue	\$1-2.5M Revenue	\$2.5-5M Revenue	\$5-15M Revenue	\$15-25M Revenue	\$25M+ Revenue
Increased	25%	25%	21%	28%	30%	35%
Unchanged	38%	35%	36%	35%	34%	37%
Decreased	37%	41%	43%	38%	35%	28%

<sup>2</sup>Multi-select answers may not add up to 100%



**Key takeaway:** By partnering with a software that grows with your contracting businesses, you can streamline your operations and steadily grow revenue year over year.

**43%**

**Percentage of garage door contractors who reported a revenue decrease in 2022, highest among all trades responding**



**Estimated revenue for 2023**

In 2023, only 18% of contractors expect to increase revenue. 40% anticipate that their revenue will stay the same, while 42% think it will decrease.

These revenue expectations are consistent across the board, regardless of company size. This may be why most respondents (46%) pointed to revenue growth as one of their priorities for 2023.

**31%**

**Percentage of residential HVAC contractors who expect revenue to increase in 2023, highest among all trades responding**

**Profit**

Profitability is an important measure of business performance. It reflects earnings, efficiency, and overall company health. Profit analysis can also help predict a business' future performance.

**2022 profit**

While revenues dropped across the residential contracting industry, profits increased in 2022 for 34% of survey respondents. Meanwhile, 52% of businesses saw their profitability stay the same. Only 13% experienced a decrease in earnings.

Consistent with 2022 revenue trends, larger residential contracting businesses experienced greater growth in profit than smaller companies.

Change in Revenue <sup>2</sup>	Less than \$1M Revenue	\$1-2.5M Revenue	\$2.5-5M Revenue	\$5-15M Revenue	\$15-25M Revenue	\$25M+ Revenue
<b>Increased</b>	25%	39%	35%	32%	37%	46%
<b>Unchanged</b>	54%	46%	47%	53%	54%	42%
<b>Decreased</b>	21%	15%	18%	14%	7%	12%



# 17%

**Percentage of waterproofing/ restoration contractors who saw profits decrease in 2022, highest among all trades responding**

## Estimated profit for 2023

34% of survey participants expect to enjoy greater profits in 2023. 50% estimate that their profits will stay the same as in 2022, and 15% anticipate a decrease in their profitability.

These expectations are consistent across the board, regardless of company size. This may be why most (46%) of respondents pointed at revenue growth as one of their priorities for 2023.

Profit estimates for 2023 reflect what the industry experienced in 2022, with larger companies expecting more profits than smaller residential contracting businesses.

Change in Revenue <sup>2</sup>	Less than \$1M Revenue	\$1-2.5M Revenue	\$2.5-5M Revenue	\$5-15M Revenue	\$15-25M Revenue	\$25M+ Revenue
<b>Increased</b>	29%	35%	28%	34%	37%	44%
<b>Unchanged</b>	63%	48%	54%	50%	49%	47%
<b>Decreased</b>	8%	17%	17%	17%	12%	9%

## Payment methods

Data indicates that credit cards are the most popular payment method (37%) for contractors. At 29%, checks are the second most popular method, followed by ACH at 20%.

# 7%

On average, 7% of payments made to contractors are facilitated through financing options. However, this payment method is twice as popular (14%) among businesses that work exclusively on projects/new construction.

**Key takeaway:** By partnering with a software that grows with your contracting businesses, you can streamline your operations and steadily grow revenue year over year.

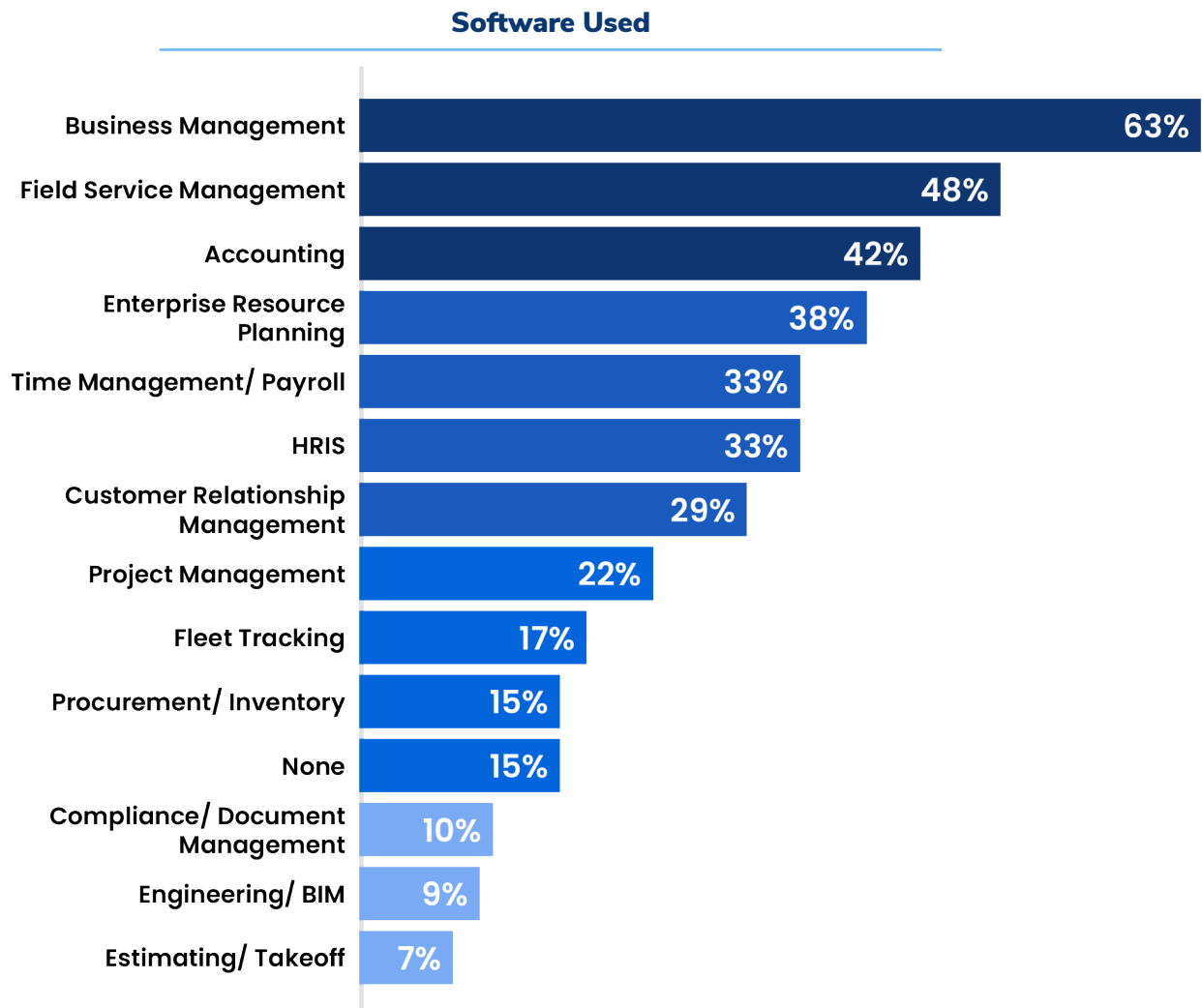


# Comparisons By Revenue and Technician Team Size

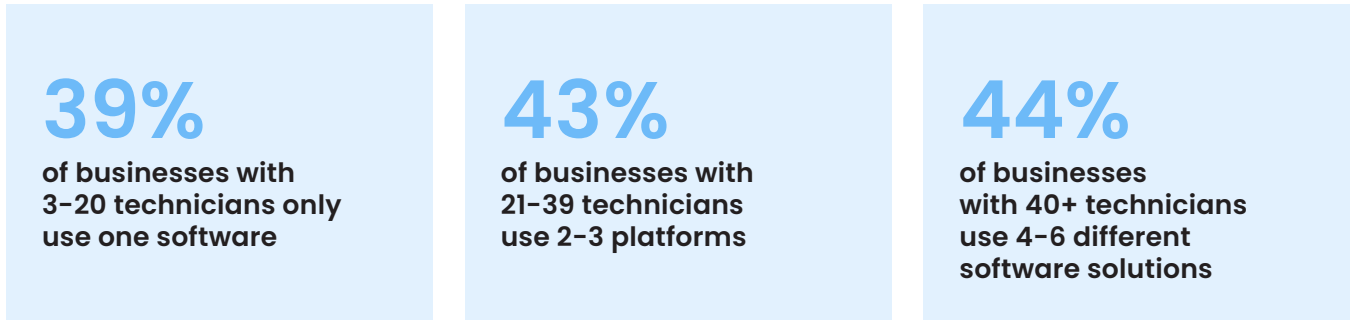
In the diverse landscape of the residential contracting industry, the number of technicians within a business can significantly impact its operations, challenges, and opportunities. To further understand our survey results, we broke down the data to examine how technician counts influence key aspects of residential contracting businesses.

## Software usage

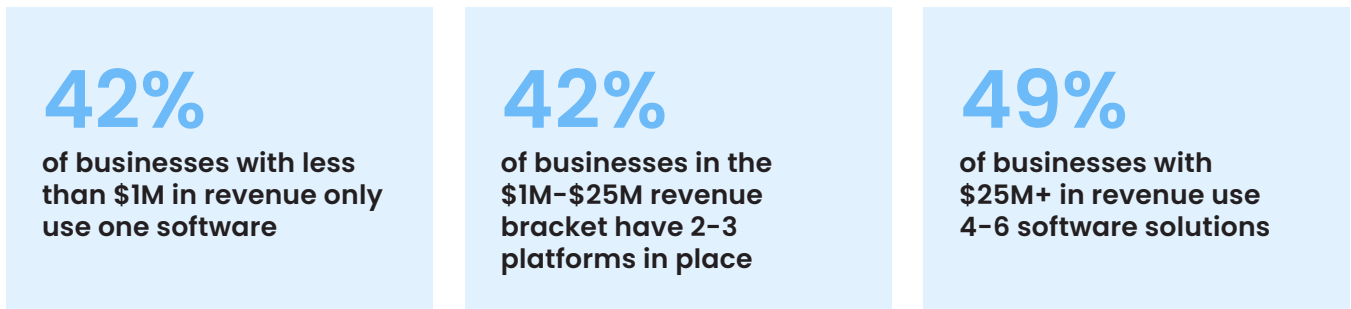
Regardless of the number of technicians on their teams, residential contracting businesses of all sizes have adopted software solutions to manage many aspects of their operations.



The data shows that larger organizations tend to use more software solutions than smaller residential contracting companies:



When analyzing software adoption versus revenue levels, data shows that:



The vast majority of contractors budget their software purchases annually:

Number of technicians	Software budgeting method			
	Annual	Monthly	Quarterly	Multi-Year Amortization
3-20	72%	11%	13%	4%
21-39	65%	15%	11%	8%
40+	70%	11%	10%	10%

However, revenue levels do seem to impact how businesses budget for software purchases. 21% of contractors with less than \$1M in revenue are three times more likely to budget their software purchases monthly than companies with more than \$25M in revenue (7%).

At 69%, companies in the midmarket revenue bracket of \$1-\$25M also prefer to budget their software purchases on an annual basis.

**Key takeaway:** For those who are able to take advantage of it, annual software budgeting is a cost-saving strategy that can help contractors manage their budgets and embrace digital transformation.

## Field Service Management software

It is evident from the survey results that most businesses adopt Field Service Management software as a way to modernize their operations. On average, 70% of respondents stated that they chose their Field Service Management software because it had all the features the company was looking for.

**53%**

of residential contractors with 3-20 technicians indicated wanting to move away from pen and paper as one of their main reasons for using Field Service Management software

Of those businesses with 3-20 technicians looking for a new Field Service Management solution, 67% said that they would like to further streamline their operations

## Outsourced services

With 51% of respondents who outsource critical parts of their business, it's important to assess how this trend varies depending on company size.

### Customer Service

- 32% of contractors with \$25M+ in revenue outsource customer service
- 51% of businesses in the \$1M-\$25M revenue source out their customer service
- 71% of contractors with less than \$1M in revenue hire outside companies to provide customer service

**Key takeaway:** Using software with customer service features may allow you to offer a superior customer experience while helping your team streamline this task.

### Accounting

- Only 6% of middle market contractors with 21 to 39 employees outsource their accounting
- 38% of these companies use accounting software to handle that part of their business
- 32% of businesses this size expect increased profits in 2023

**Key takeaway:** Adopting accounting software can help simplify your financial processes, allowing you to focus on business growth and ultimately boosting profitability.

### Advertising/SEO

- 32% of medium-sized companies with 21 to 39 employees outsource their digital advertising/SEO
- 47% of these companies identified new customer acquisition as one of their 2023 goals
- 32% of businesses this size expect increased profits this year

**Key takeaway:** Investing in advertising/SEO can help you stand out from the competition, target your ideal audience, and increase your brand awareness.

# Survey Takeaways

After analyzing survey responses from more than 1,000 businesses across the residential service industry<sup>3</sup>, the following insights can help contractors address current challenges and take advantage of market opportunities:

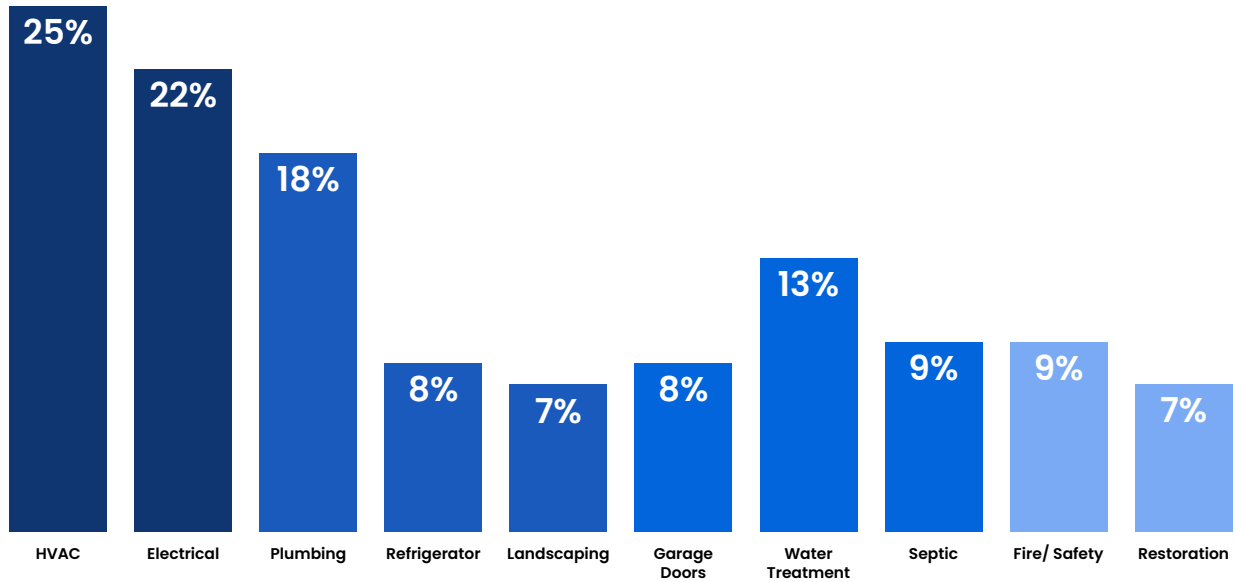
- With most residential contractors generating revenue from 50% service and 50% new construction work, diversification can help unlock new sources of income.
- Referrals could become a valuable source of customer acquisition, considering that word-of-mouth referrals accounted for 71% of business volume last year.
- With repeat customers driving 58% of work and 39% of revenue in 2022, focusing your marketing efforts on customer retention may offer the best return on investment.
- Outsourcing and technology adoption may be the key to help contractors achieve their revenue generation, growth, and customer retention goals this year.
- As costs continue to increase, new software solutions could help your business streamline operations, lower expenses, and maximize profits.
- Given continued labor shortages, increasing technician salaries could help retain top talent and ensure that you continue to offer outstanding customer service.

<sup>3</sup> For the purposes of this survey, a “residential service contractor” is defined as any business generating 60% or more of their revenue from residential services.

# Methodology

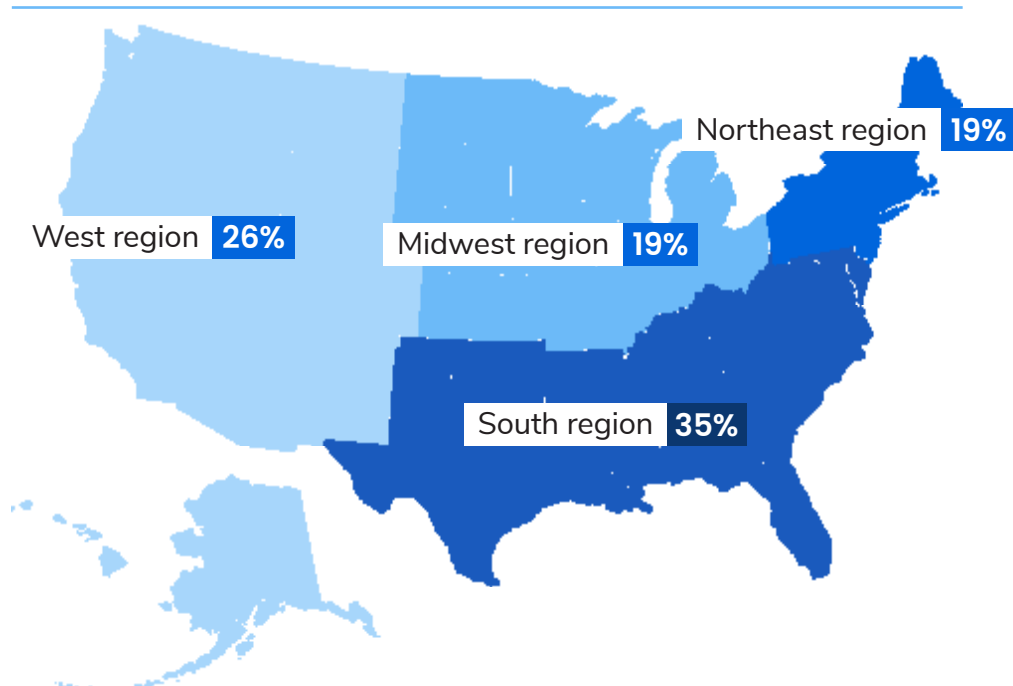
To understand the state of residential service contractors and their perceptions, ServiceTitan partnered with Thrive Analytics to survey more than 1,000 residential service contractors. This sample included respondents from a variety of trades beyond the ServiceTitan customer base, broken down as follows:

Respondents by trade

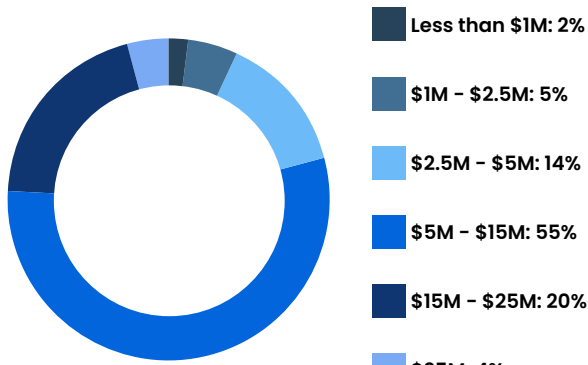


Survey respondents were also representative of geographical region, business growth stage, and revenue levels:

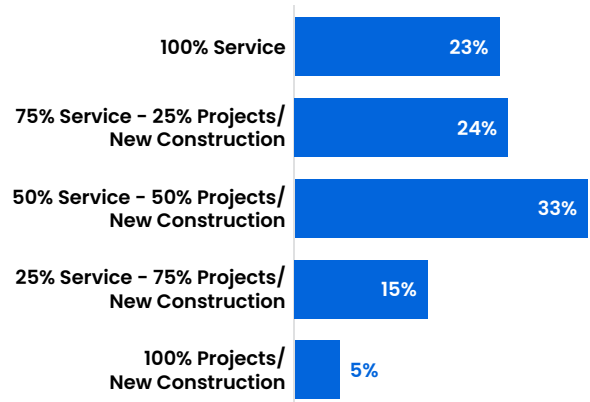
Respondents by region



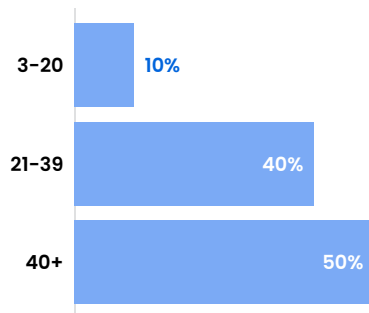
### Respondents by revenue



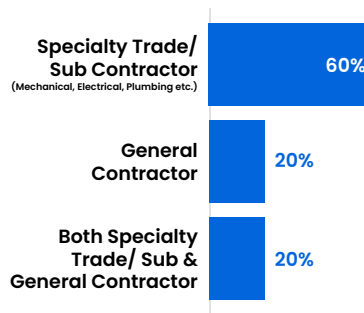
### Respondents by revenue share



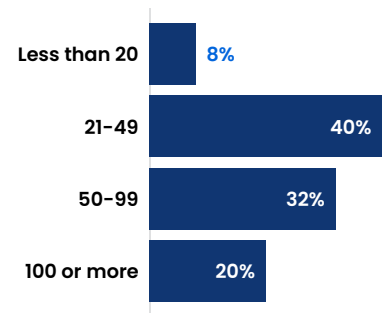
### Respondents by technicians



### Respondents by contractor type



### Respondents by total employees



This white paper is for informational purposes only and ServiceTitan provides no assurances (express or implied) with respect to the accuracy of the survey data.



ServiceTitan is the leading cloud-based software platform powering commercial service and specialty contractors. Our all-in-one solution gives contractors complete control of their business by seamlessly integrating all operations in one place. By bringing an integrated SaaS platform to an industry historically underserved by technology, we are equipping tradespeople with the technology they need to keep the world running. Used by hundreds of thousands of service professionals, ServiceTitan helped commercial customers in 2022 drive 19% revenue growth, a 21% increase in agreement renewals, and a 9% revenue growth per tech.\*

Learn more at [servicetitan.com](https://servicetitan.com)

\*Commercial customers include customers who perform 25% or more of their jobs at commercial locations. Results are not guaranteed and may vary.