

STATE OF THE RESTORATION INDUSTRY

2022 - 2023



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STATE OF THE INDUSTRY 2022

An invitation to the reader

This industry report is a first-of-its-kind document within the Restoration Industry. By seeking its insight and acting on its findings, you will be armed with a clear competitive advantage as you grow your company. We have committed to provide this report as an annual service to the industry. In turn, our hope is that you will add reviewing this authoritative report to your annual rhythm in Q4.

Structure of the report

This report was designed for ease of reference, and ease of application. Rather than a long-form essay, the report has been segmented into themed chapters.. Each chapter ends with proposed action items and discussion questions for teams to support implementation.

Share this report

We challenge you to be generous with this report. Share it with your team, your peers and any industry groups and organizations you belong to. You've got full permission to share the graphs, quotes, chapters, and even the full report with others. Our only request is that you reference this report appropriately, by indicating that what you are sharing is from The State of the Industry Report, 2022.

From the Authors

Demand for data in the restoration industry is at an all-time high. As the most-trusted, most-read, and largest media brand directly serving the Restoration Industry, we strive to listen and deliver the information the industry wants and needs. Welcome to the 2022 C&R State of the Industry Report, powered by KnowHow! Our hope is within these pages, and subsequent digital and print materials, you will find many answers you seek on industry size, strengths, weaknesses, trends, and more. This report is just the beginning; it will serve as a launchpad for deeper research and data for years to come!

In partnership,
Michelle Blevins
Publisher, C&R Magazine

Anticipating what challenges and opportunities lie ahead commands the attention of all leaders. We all know that the best views come from the tallest lookout points, and this report aims to provide leaders with just that - but with authoritative data. In conducting this research project, our aim was to serve our industry by providing it the highest possible vantage point from which to understand what's coming around the corner in the new year, and to equip leaders to make informed decisions as they work diligently to steer their organizations to a successful year-end result. Our passion for data-backed research is a reflection of both our commitment to our clients to be the experts in winning with today's workforce, and a reflection of our company placing great value on curiosity & learning. It is my sincere hope that this report can serve you as a compass of sorts as you navigate the year ahead.

May you find the fast water,
Leighton Healey
CEO, KnowHow

As in the case of our past studies including Why Workers Quit, and 1000 Bad Reviews, we have conducted the largest study of its kind in the industry. Alongside our partner C&R Magazine, we have captured and synthesized a robust volume of data from nearly 150 industry senior executives to produce a quality report. Some of the most compelling findings came from our correlational work, identifying patterns and trends that emerged from our analysis of the data. We would like to thank the numerous busy company builders that took the time to participate in our exhaustive, anonymous industry survey. As we look to next year's report, we welcome your feedback and your participation in our work to provide sound, reliable reporting.

We wish you a data-informed, decisive and successful 2023.

The KnowHow Research Team



Introduction

The Restoration Industry is constantly evolving. Business leaders in the industry have the tremendous task of steering their companies to overcome challenges. Amidst a potential economic recession, hiring and employee retention issues, rising interest rates, and lingering uncertainty from the wake of the pandemic, there are countless opportunities for restorers to turn *challenge* into *advantage* in 2023.

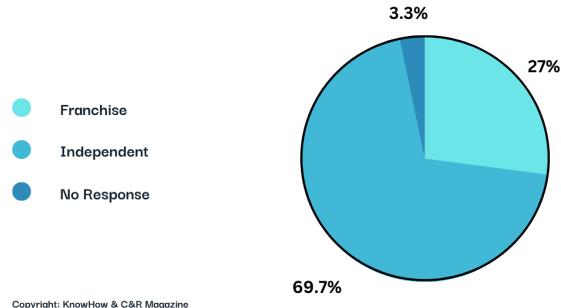
To understand the State of the Restoration Industry, C&R and KnowHow have partnered to conduct the largest benchmark study ever to get detailed insights into how companies are preparing for next year. Our goal for this report is to arm you with the data to create an action plan for your company.

From the survey responses, we have a clear picture of the state of the industry. These insights will give management teams perspective on how to position their business in the next 12 months.

Basic Demographics

In our survey, nearly 150 independent company leaders in the restoration industry. Sixty-nine percent of our respondents are from independent restoration companies, while 27% are franchisees. The report supports a broad picture of the industry trends and pain points based.

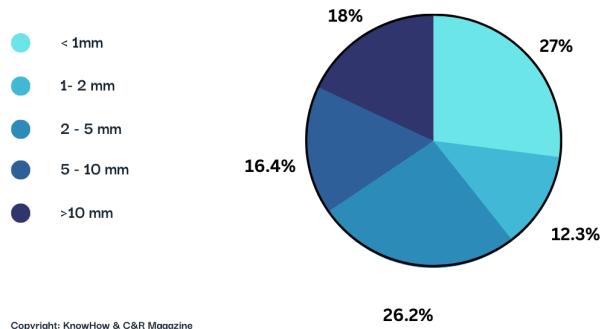
Franchise Vs Independent



Company Size

Although the results show that most professionals in the industry are independent, we had a well-balanced survey covering companies of different sizes. On average, property restoration businesses in this industry are generating \$2M in revenue. However, our respondents included higher-revenue companies generating north of \$10M in revenue.

Respondents by Company Size



The average restoration firm will achieve \$2,000,000 in revenue in 2022.

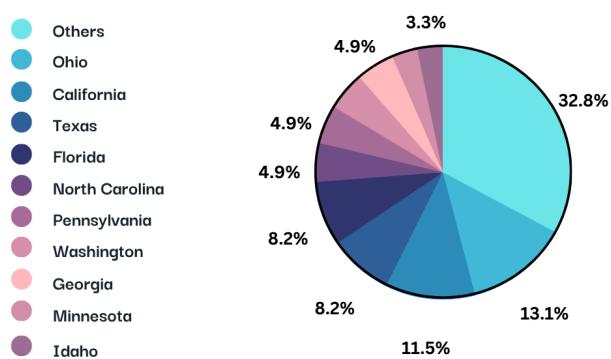
Regional Representation

Restorers from all 50 States, plus each Canadian province, responded to our first-ever State of the Industry study. We had good representation from all regions from the East Coast, the Southern States, the Mid West and West Coast. Although we had some participants from Canadian companies, the majority of participants were from the United States.

The goals for our report are:

1. To establish a thorough and trustworthy annual data-driven report to support informed decision making for all industry stakeholders.
2. To support management teams in their preparations for the next year.
3. To identify patterns, trends and insights that can only be reliably ascertained from a thorough, industry-wide survey.

Respondents: States



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The State of the Industry Report will become an annual study provided to the industry. We are already preparing for the 2023 Report. Stay connected to C&R Magazine for upcoming announcements and to learn more.



Don't be left out in the dark. Ensure your organization has direct access to authoritative industry data. Scan the QR code to register for a free subscription to C&R Magazine.

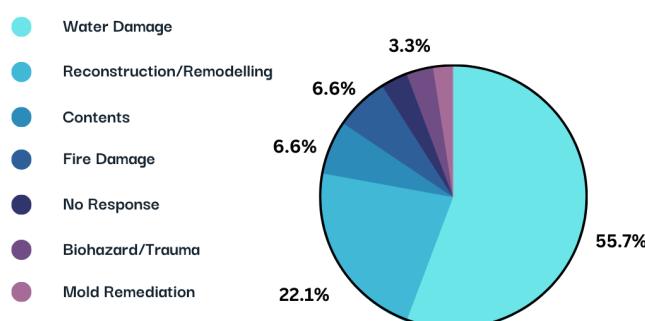


Chapter 1:

Revenue and Services: Current and Forecasted

In recent years, restoration companies have begun shifting service focus and specializations. Today, 55.7% of respondents stated that Water Damage is their top service offering. 22.1% of businesses claimed their top service offering is Reconstruction and Remodelling, followed by Contents and Fire Damage at 6.6%. Biohazard, Trauma, and Mold Remediation remain small, but not insignificant, service areas in the industry.

Services Offered



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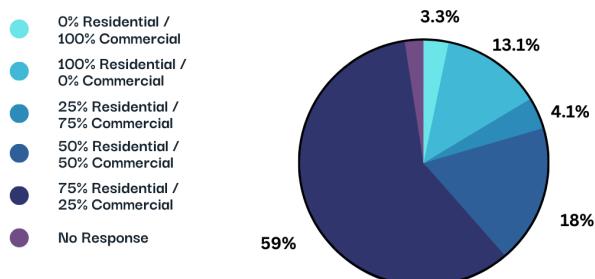
From the results, it's evident that there is a lot of competition among companies that deal in water damage. For this reason, companies that want to gain a competitive advantage in the industry have an opportunity to invest in the other smaller services that may fall off the services menu of many firms in coming years.

Investing in programs like biohazard, mold remediation or fire damage, could offer unique differentiators for firms. There is an increasing number of companies moving into reconstruction. This is a significant trend for restoration companies going into 2023.

Revenue: Current, Desired and Forecasted

No surprise, most restoration firms manage a mix of residential and commercial projects, from both TPA and non-TPA sources. What is surprising, is that most restorers are interested in significantly decreasing the amount of residential and TPA work, in favor of pursuing commercial.

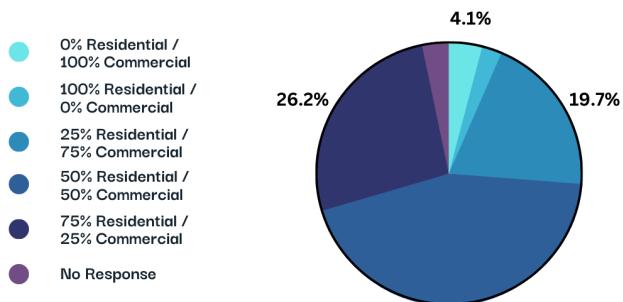
Current Revenue Mix: Today



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However, based on the survey, there's a strong motivation for companies to move away from residential to commercial work. More than 60% of the respondents say that at least a quarter of their annual revenue comes from commercial work of some kind. Additionally, a majority of companies want a 50-50 balance between residential and commercial projects.

Desired Revenue Mix: Next 12 Months



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The majority of companies want to move towards a 50-50 balance between residential and commercial projects. More than 60% of the respondents indicated that at least a quarter of their annual revenue comes from commercial work of some kind.



Did you know that with the [KnowHow](#) platform, you can shift to commercial work quickly, and offer commercial clients custom 'playbooks' for how the client wants the unique properties serviced? Scan the QR to learn more.

With so many restorers quickly shifting to increase their commercial restoration activities in 2023, competition will become more significant in this segment. As more restorers move towards larger projects, there will naturally be more opportunities for companies to create strong profitable residential programs and scoop opportunities that get left behind.

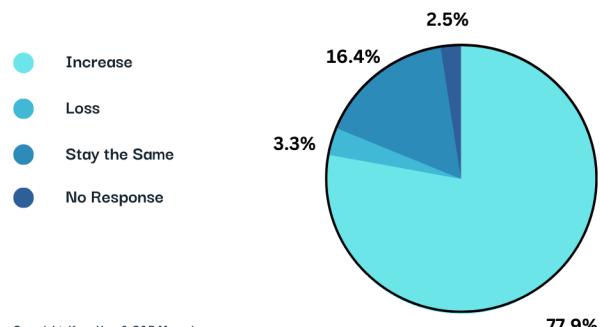
Another important shift is the increasing desire for restoration companies to move away from third party administrator (TPA) work. TPA work currently represents a meaningful source of work today, but it is clear that that TPA work is becoming increasingly undesirable in its current format.

Respondents indicated that they would rather work on commercial accounts than traditional TPA programs. As the bulk of TPA work is residential work, this will also accelerate a gradual shift away from residential work.

The COVID-19 pandemic created challenging market conditions. However, two years later, the data clearly indicates that companies see next year as a growth year - to bounce back. Nearly 80% of respondents anticipate an increase in revenues in 2023.

The industry is optimistic about 2023 with 77.9% of the respondents expecting their revenue to increase, 16.4% expecting their revenue to stay the same, while a minority of firms, 4%, expecting that the company revenues will decrease in 2023.

Revenue forecast over next 12 months: Increase, Decrease or Stay the Same?



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Are you planning to scale revenues in 2023? The fastest way to scale your operational capacity to onboard, skill up and support your workforce is to invest in *creating your company playbook with KnowHow*. [Learn more by clicking here.](#)

A word to Vendors: With nearly 80% of companies focused on scaling revenues in 2023, there are significant opportunities for vendors, suppliers and consultants in the restoration industry to grow symbiotically alongside them. Services directed at accelerating operations, improving job efficiency, onboarding new staff, or sales and marketing, while demonstrating clear ROI, will be well-received.

Powerful Insights

Over 50% of companies that believe their revenue will increase over the next 12 months prefer a 50-50 balance between residential and commercial projects. It's interesting to note that some survey respondents anticipating an increase in revenue prefer 100% commercial work.

Most companies that indicated they are anticipating scaling revenues next year also plan to scale their workforce. Yet, the companies that optimize their internal systems, processes and service delivery may be able to scale revenues without needing to grow headcount.

Summary of key points

- ✓ 55.7% of respondents say that water damage is their top service offering.
- ✓ Most restoration companies are looking to shift from a residential heavy to commercial heavy project mix.
- ✓ Companies that invest in workforce optimization tools (training, process, standardization) will be able to maintain more margin by scaling revenues with less need to scale labor

Recommended actions

- ✓ If you are comfortable with TPA work, communicate to your program providers that you can handle more capacity that opens up as others depart.
- ✓ Consider the economics of adding a niche service like trauma or mold mitigation line as the market narrows in on water and commercial services.

Discussion questions for management teams

- ✓ What is our ideal mix of residential, commercial and TPA work? How are we aligning our go-to-market activities for 2023 to reflect this?
- ✓ What strategies do we have in place for Q1 2023 to pursue more commercial work?
- ✓ Do we have the right software tools in place to allow us to standardize our operations to keep things tight as we scale revenue and headcount?



Chapter 2:

Third Party Administrators: Restoration Companies are Decreasing TPA Work in 2023

A third-party administrator (TPA) is an organization that provides operational services such as claims processing under contract to another company. Insurance companies often outsource their claims processing to third parties. The data is clear, Restorers are changing the way they are thinking about incorporating TPA work into their firms.

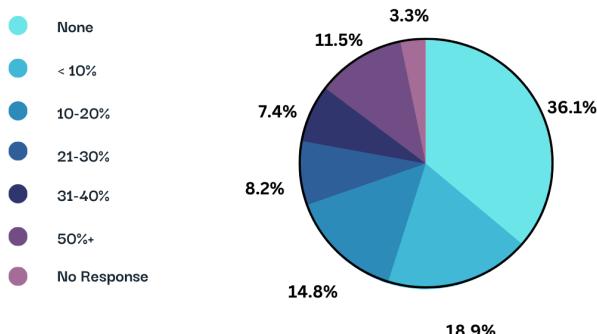
Today TPAs are a common feature in the restoration industry, and they offer varying carrier programs and services.

Some of the popular TPAs in the market include Contractor Connection, Sedgwick, CodeBlue, and BrightServ. When homeowners or businesses have an insurance claim, these companies come in to manage the contractor vetting, provide estimating standardization and to assign and control workflow throughout the restoration process.

The place of TPA work is a debatable issue among restorers. While some attest to its convenience, others accuse TPAs of undercutting restorers and making it more difficult to make a motivating profit margin on jobs. Our survey identified that most restorers are not a fan of TPA work.

Nearly 37% of respondents say they currently don't do any TPA work. Almost 20% said program work is 10% or less of the yearly revenue. Of the remaining companies, almost 12% said TPA work makes up 50% of their total revenue or more.

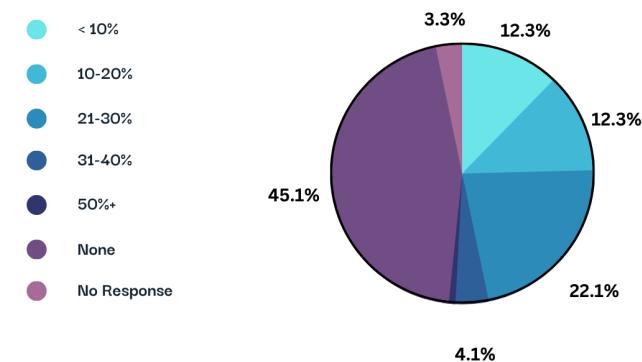
Current % of revenue from TPA work



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We dove deeper and asked restorers how much TPA program work they want to be doing. Interestingly, almost half (45.1%) of respondents would prefer to not do any TPA work at all. From the results, about 60% of the respondents prefer to have none, or less than 10% of their work comes from TPA work. This is quite significant.

Desired % of revenue from TPA work



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Within the survey, we asked restorers why they don't like TPA work. Here are some of their answers:

- Working with TPAs can eat into profit margins. TPA work is largely a volume game, as restorers reduce their TPA work levels, the low unit economics will accelerate a further transition.
- Program work can create an administrative burden on the company staff. The estimators, project managers, and technicians have additional duties which can strain resources.
- TPAs charge enrolment and referral fees which sometimes do not translate into immediate direct jobs.
- Working with multiple TPAs requires the adoption of each TPA's claims system, creating a laborious experience.

Some companies enjoy TPA work, and believe their ability to handle its administrative demands serves to create a competitive moat for them in their marketplace. Some reasons they like TPA work include:

- A reliable source of leads that likely isn't going away. As large insurers continue to evolve into financial and investment companies, their desire to outsource claim management will likely remain strong. TPA work will likely remain a steady source of leaders.
- Supplementing your lead flow with several TPA programs can allow you to become a specialized service provider, narrowing your service offering, and make up for margin loss through service optimization.
- Easier to stand out as a high-quality, reliable restoration provider. TPA programs do reward strong operators in a way that the wild west of online direct-to-consumer advertising does not.

Determining what the right mix of TPA work is your firm must come down to more than simply your project manager's level of satisfaction in dealing with TPA representatives. Consider if you are in a position to make sufficient investments in creating alternative sustainable lead sources, and the level of administrative rigor and capacity of your team.

With so many restoration firms indicating a strong desire to transition away from TPA programs, we predict that this will create both opportunities for firms that optimize for TPA work and create significant pressure on TPA providers to find ways to change aspects of their operation that are driving so many restorers to look elsewhere for their revenue needs.

Powerful Insights

Companies in each region surveyed are leaning more towards a high commercial and low to non-TPA work mix. Unsurprisingly, most companies currently handling 100% commercial work prefer to have no TPA work at all.

Summary of key points

- ✓ 45% of restoration firms would prefer to do no TPA work at all in 2023.
- ✓ Nearly 60% prefer to have none, or less than 10% of their work comes from TPA work.
- ✓ Changing industry sentiments towards TPA work will create opportunity for TPA-optimized firms and pressure TPAs to seek opportunities to improve.

Recommended action items

- ✓ Evaluate the administrative capacity of your organization. If your company lacks administrative rigor, consider decreasing your TPA work.
- ✓ In your assessment of TPA work, factor in the marketing investments required to replace this job source - don't simply consider job margins.

Discussion questions for management teams

- ✓ How would we rate the administrative rigor of our company culture? How should this influence our thinking about the right mix of TPA work here at our company?
- ✓ Do we have the desire and capability to develop a robust marketing engine that can predictably produce enough job leads to replace our TPA source?





Chapter 3:

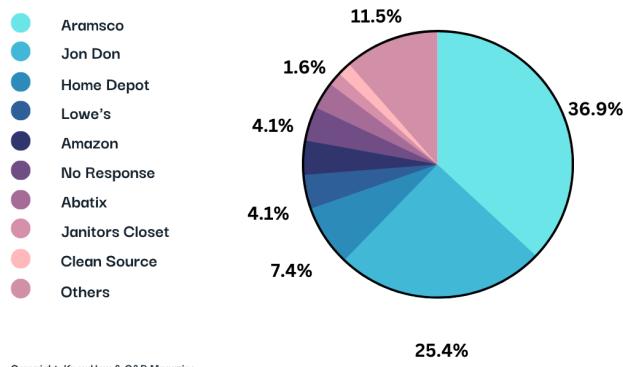
Purchasing Preferences: Products & Equipment in 2023

Supply chains have been disrupted globally and are recovering slowly. Based on our findings, most restoration companies are planning for growth in 2023; thus it follows that coupled with supply chain challenges, this widely shared growth focus will likely spark a measure of scarcity, and in turn competition to source the necessary products and equipment needed to support company growth.

Companies need to think about sourcing their suppliers earlier in the year to get ahead of the competition.

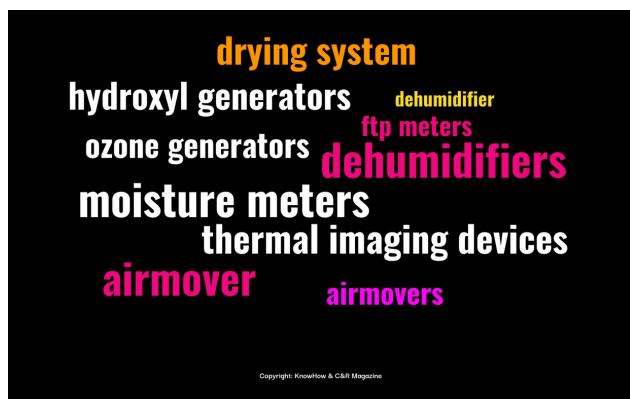
When it comes to consumables and equipment, survey results indicate that Aramsco holds the largest market share at 36.9%. Jon-Don holds a 24.5% share, followed by Home Depot and Lowe's at 7.4% and 4.1%, respectively. It's also interesting to see that Amazon has the same market share as Lowe's - a clear indication that the e-commerce giant has created an early foothold in the industry - certainly something work monitoring.

Where do you purchase most of your equipment?



We predict that in the next year, Aramsco will be under increasing pressure to hold their market share position as new market competition from Home Depot, Lowe's, and Amazon rises. Restoration companies will likely be able to leverage pricing and convenience from retailers like Amazon to negotiate better price points from their current materials suppliers.

What types of equipment do you anticipate purchasing over the next 12 months?

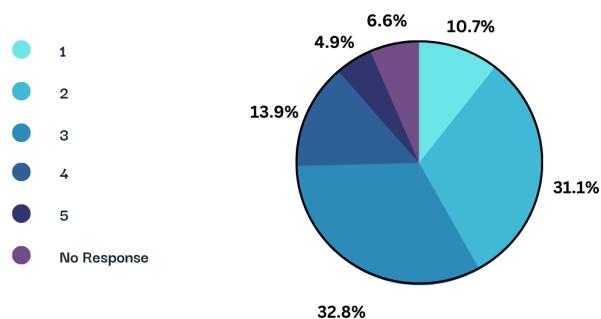


The word cloud above reflects the most common pieces of equipment restorers are planning to purchase in 2023. Considering supply chain challenges, we advise sourcing equipment needs in Q1 & Q2.

Disinfectants: a rising hot topic

The emergence of Covid-19 cleaning, and the robust claims of many cleaning products have caused restorers to think more seriously about their purchasing of disinfectants. We decided to dig in.

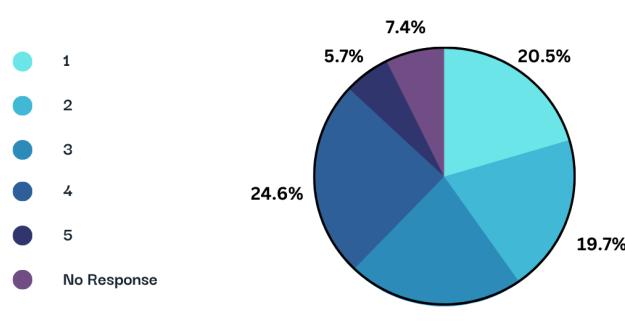
How important of a factor is the price point of a disinfectant product when you are considering a purchase?
(1 = Most Important, 5 = Least Important)



Restorers are certainly price sensitive when it comes to purchasing disinfectants, but price point is not the primary concern of most restorers when weighing a purchase.

How important of a factor is the chemical makeup/footprint of a disinfectant product when you are considering a purchase?

(1 = Most Important, 5 = Least Important)

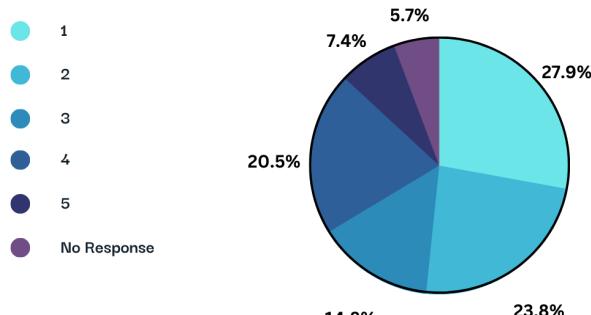


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On the other hand, chemical makeup/footprint is considered the most important factor by at least 20% of the respondents. Most restorers are keen on the chemical makeup, as shown in the results.

How important of a factor is the ease of use of a disinfectant product when you are considering a purchase?

(1 = Most Important, 5 = Least Important)

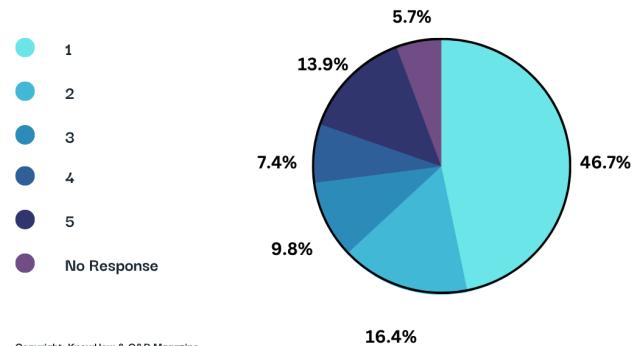


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More than 50% of our respondents check for ease of use before purchasing any disinfectants. When restorers purchase disinfectant products, they clearly care a great deal about the ease of use of the product.

How important of a factor is the efficacy of a disinfectant product when you are considering a purchase?

(1 = Most Important, 5 = Least Important)



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Efficacy is the key factor when choosing cleaners. We can all agree this is the right result to come out on top (a reminder that the survey was anonymous, so this result is considered truthful). Almost half (46.7%) of our respondents say efficacy is the most important deciding factor.

How do you think about purchasing disinfectants at your company?

Opinions vary, but what is clear is that restorers prioritize based on:

- 1st: efficacy
- 2nd: ease of use
- 3rd: chemical footprint
- 4th: price

Powerful Insights

Amazon is taking big steps to become a reliable and competitively priced supplier of construction equipment and materials. In mid-2022, Amazon began positioning itself as a reliable alternative for construction tools, some materials and equipment. Though Amazon lacks the personal relationship offered by a dedicated account manager commonly associated with purchasing from a traditional supplier, their entrance into the market is worth exploring further.

[Learn more here.](#)

Summary of key points

- ✓ Aramsco currently holds the largest market share for consumables & equipment purchases at 36.9%
- ✓ Although over half of the market share is held by Aramsco and Jon Don, other retailers are gaining ground which means there will be increased competition in the next 12 months.
- ✓ More than anything, efficacy is the most important factor when choosing a disinfectant.

Action items

- ✓ Share these results with your preferred supplier and ask what they are hearing from their team members internally. Find out if there are any VIP retention programs planned that you can take advantage of.
- ✓ Set aside time in Q1 2023 to review the product offerings and pricing from several suppliers other than your retailer of choice. Avoid assumptions, and confirm you have the right supplier partner.

Discussion questions for management teams

- ✓ Is our company getting the best rates for the products and equipment we purchase? How do we know?
- ✓ When was the last time we had a real business conversation with an account manager from a suppliers we don't often frequent to see how their prices and product line compare?
- ✓ When considering disinfectants, what matters most to our team? What matters most to our customers? How do we know?



Chapter 4:

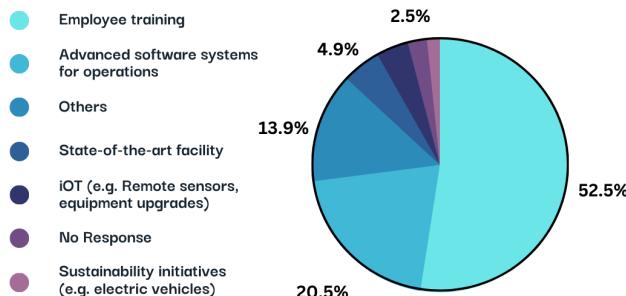
Investing in the Future: where companies are investing in 2023

While it's hard for business owners to predict what will happen in the future, learning how other restorers are making investments to "future-proof" their companies is arguably as close to a predication as we can come. Restorers see 2023 as an important growth year, what follows is how they are placing their bets to fuel that growth.

One of the most important insights our study revealed was to determine where restoration firms are making the most significant investments in their companies in 2023 to prepare their organizations for the future. Respondents made it clear that the key areas of investment include employee training, advanced software systems for operations, state-of-the-art facilities, IoT technologies, and sustainability initiatives.

Top areas of planned investment:

What is #1 on your list of investments for future-proofing your business?



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Powerful Insights

Companies that are making planned investments in employee training next year are forecasting sharper increases in revenue.

Similarly, companies that invest in employee training, and see employee training as a key area of investment, are experiencing a higher level of technology adoption within their workforces. Companies that are making current and future investments in employee training are experiencing 53% technology adoption, compared to 47% adoption in companies that do not make employee training an investment priority.

1. Employee Training

Employee training will receive the lion's share of investment in 2023 with 52.5% of respondents identifying it as their top area of investment for the year. As a high-skill industry, racked with chronic staff turnover, employee training is a must.

In our previous study released in spring 2022, "Why Workers Quit", we established that the primary reasons employees quit include poor onboarding, insufficient training, and limited to no access to in-field 'just-in-time' how-to resources. Most conflicts between supervisors and field staff, customers and project managers result from poor training and a lack of shared clarity on 'the right way to do the job'.

Some of the common mistakes that companies make with employee training include using paper-based resources, creating long-form videos that are of low interest to young incoming workers, and sending staff to expensive courses that offer little to any post-event support and training reinforcement. Staff today prefer to learn 'on the go', and training investments must accommodate this strong preference.

2. Advanced Software Systems For Operations

It's clear from the study that companies recognize the need to make a significant investment in advanced workforce software systems to support consistency in service delivery as they grow. Optimal solutions support onboarding new hires, facilitating standardized training paths, improving compliance and addressing leading causes of employee turnover. Other key operational needs for advanced systems include robust sales operations systems, streamlined job management and costing and human resources.

Other key areas of investment for 2023

1. **State of the art facilities:** 4.9% of our respondents plan to invest in state-of-the-art facilities to ensure the business maintains its profitability and achieves growth in the coming months, and years ahead. Considering rising interest rates, these firms are taking a long-term view of their company's future.
2. **Internet of Things (IoT):** A selection of our respondents indicated that their number one investment in 2023 will be in high tech solutions, such as remote sensors and equipment upgrades, workplace connectivity and smart-tech solutions to automate recurring activities. With slow technology adoption common place, this is a bold investment.
3. **Sustainability initiatives:** Customers and young workers today care about sustainability issues. Although only a small percentage of the respondents plan to invest in sustainable practices, this could be a competitive opportunity to stand out in the industry, attract young staff and provide an inspiring message to the marketplace.

Powerful Insights

One surprising finding that emerged in our research is that we were unable to find any patterns or correlations between a worker's starting wage and their overall work tenure. Simply put, we did not find a strong correlation to support that either a higher wage or lower wage improved overall length of employment.

In our previous study, Why Workers Quit, we identified that though the posted wage was the number one and number two attractor for technicians and manager positions respectively, wage level fell the fifth stated driver of worker retention post-hire. It is clear that investing in the employment experience is more important than simply raising wages as a retention tactic.

Summary of key points

- ✓ 52.5% of restorers say that they plan to invest in employee training to future proof their business.
- ✓ Another 20.5% plan to make significant investments in advanced software systems to streamline operations.
- ✓ Companies that plan to invest in training and advanced operations systems must first consider what types of solutions accommodate young worker technology preferences, or risk low adoption and low ROI.

Action items

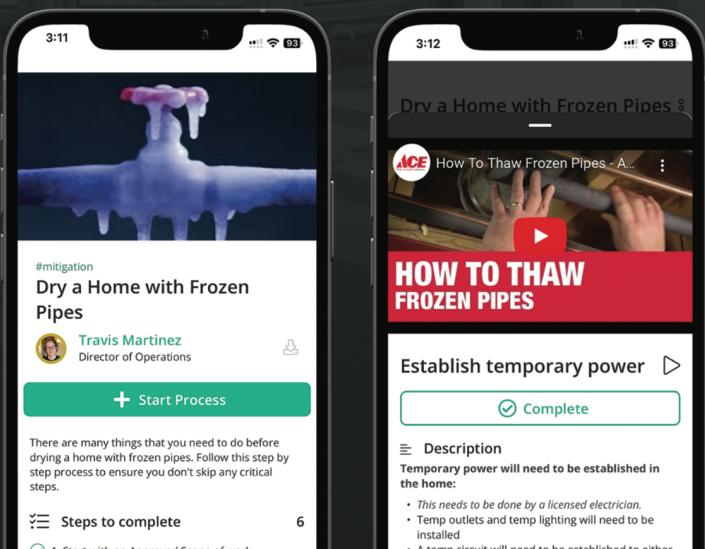
- ✓ Beyond mere traditional wage and non-wage planned budget spending, identify one or more areas in your business in which you will make a concerted investment to future proof your company.
- ✓ Ask a small cohort of young workers in your company how they prefer to learn new skills outside of work on their own.

Discussion questions for management teams

- ✓ How effective are our current employee training systems? How do we know?
- Which areas can our company invest in
- ✓ to better position the business to be strong and resilient in the future?



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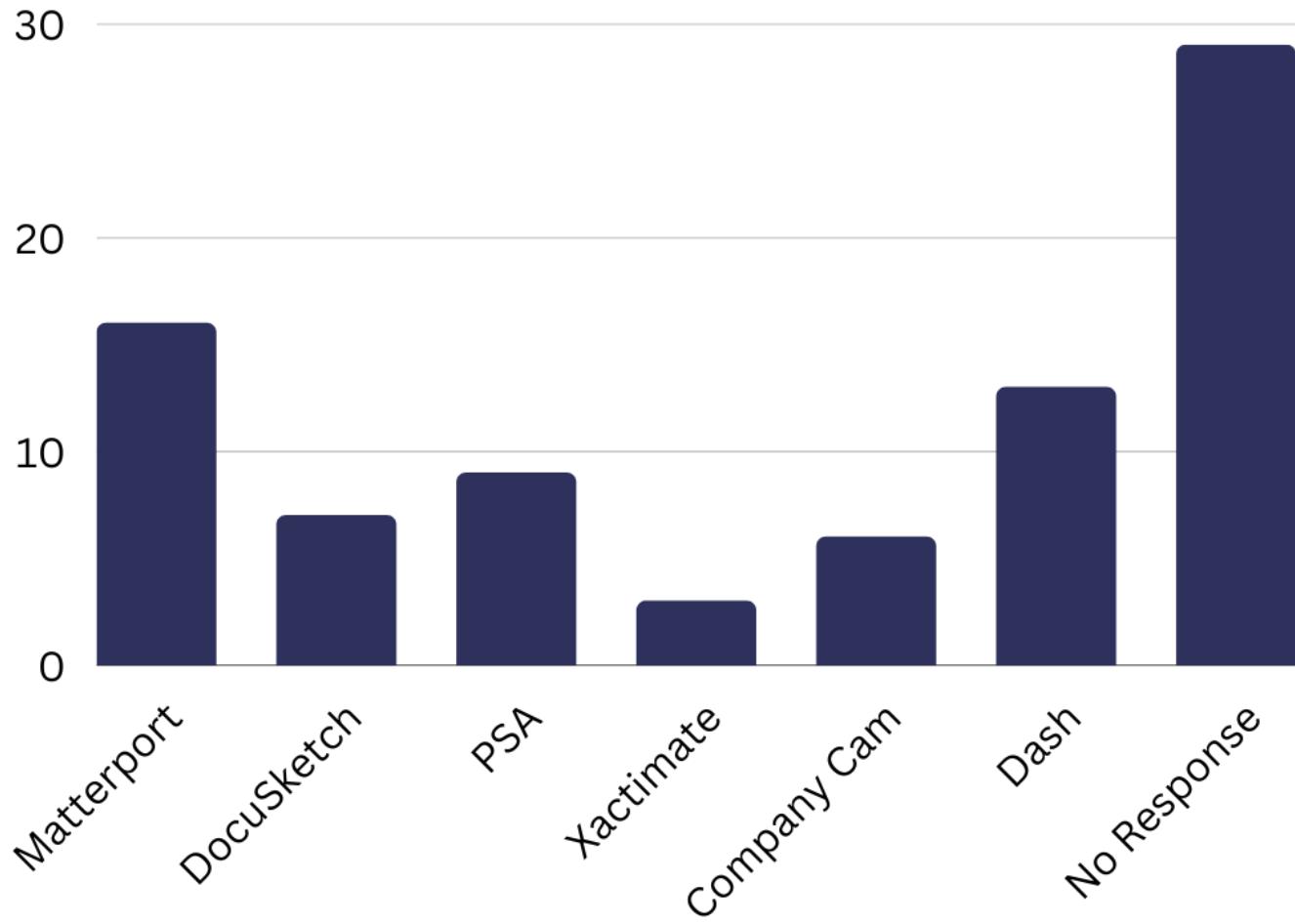
Chapter 5:

Innovation, Technology, and Software in Restoration

Like other industries, restoration has come to heavily leverage technology to drive growth. From our survey results, it's clear that companies are embracing technology, though struggling with system adoption and utilization across their workforces. Though companies struggle to get full horsepower out of their solutions, that is not stopping them from sharing which solutions are their favorite, and which offer the best return on investment to their firms.

Return on investment

Considering all the software tools your company uses, from your perspective which one offers the best return on investment?



Competitors Matterport and DocuSketch, and PSA and DASH were all listed as high return on investment software solutions - fierce competition produces improved products and solutions for the entire industry. Other products including industry-leading pricing software Xactimate and photo communication app CompanyCam both were identified as high return on investment software solutions.

Must-have software tools

According to restoration leaders across the United States and Canada, the following software solutions are regularly used software solutions that every firm should consider.



Matterport

This software scans and creates visual representations of the project. Matterport empowers restorers to capture and connect rooms to create interactive 3D models of spaces.



DocuSketch

DocuSketch is a software designed specifically for restoration professionals. It's used for 3D documentation, sketching, scoping, and estimating.



PSA

This robust job management and accounting software is designed to address the challenges faced by the restoration industry. It's integrated to connect with all teams, and pull real-time job costs such as labor, equipment, and inventory. PSA is an API rich solution.



KnowHow

KnowHow is a workforce enablement software platform that provides all standardized operating procedures and job 'how-to' needed to guide an employee from day one. It's used to onboard new hires, facilitate standardized training paths, and serves as a single source of truth for all company how-to, processes & workflows.



DASH

This leading job management system is a powerful web and mobile platform used in the restoration industry to improve efficiency and scalability. Their broad suite of solutions range from job claim management, CRM, moisture meter and more.



Hover

Hover is a measurement app that provides detailed exterior measurements to quote any project. Create a 3d Model from smartphone photos for easy designs.



CompanyCam

CompanyCam is a visual-first job site communication app. Restorers can access each project, photo, video, and conversation in one app.



Encircle

Encircle is a user-friendly restoration software solution used to visually document field data and present it in high-quality reports for faster settling of property insurance claims. This mobile-first solution makes job site documentation fast and easy.



Ask Aime

Ask Aime (Aime) is an easy to use estimate review software solution that allows you to instantly review your insurance restoration estimate for compliance, value, and training. This high ROI solution is an industry favorite.



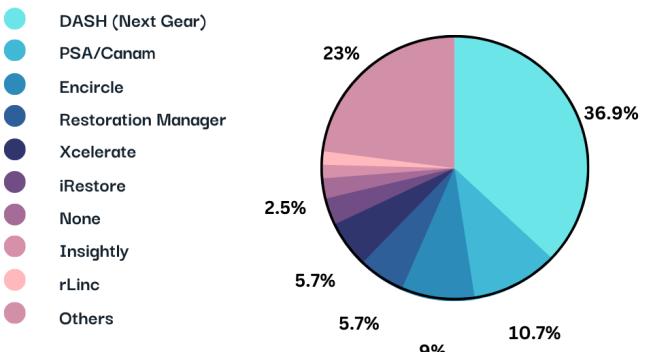
Popular Job Management Software

Respondents indicated that DASH was the most commonly used job management software in the industry at 36.9%. PSA (by Canam Systems) was second at 10.7%, and close behind was

Encircle. Other notable job management software solutions included Restoration Manager (Verisk), Xcelerate, iRestore, Insightly and rLinc.

Interestingly, 23% of our respondents say that they use other 'software tools' for job management. This is a huge opportunity for job management software companies looking to increase their customer base, with 23% of the market seemingly undecided on which purpose-built restoration job management solution to adopt.

What job management software does your company use?



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Interesting: While most companies are trying to catch up with DASH and PSA, the real fight should be for the 23% market share.

Powerful Insights

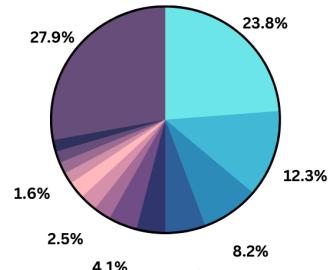
A close look at the data revealed some interesting insights:

CoreLogic's job management product line under the NextGear suite, commonly known as DASH, is more popular in mid-sized companies.

PSA/Canam Systems job management solution, Proven Jobs, is most popular among mid to large sized companies. Their ERP platform, which features an optional integrated web-based accounting solution, is winning with large firms.

Encircle, a popular field-documentation solution, is more popular among smaller sized companies, though often used in complement to other job management tools.

What other technology tools does your company use regularly?



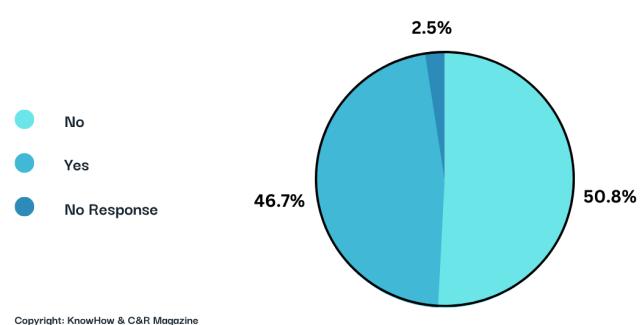
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A huge percentage of the respondents, about 27.9%, use a combination of Matterport, DocuSketch, and Ask Aime. Out of all these tools, KnowHow and Ask Aime are popular examples of products that don't duplicate your software, instead, they enhance your efficiency.

GPS Tracking: Equipment and Vehicles

Currently, the market doesn't appear to be strongly oriented towards one GPS solution. 50.8% of respondents don't use GPS tracking on their vehicle and equipment, while 46.7% do.

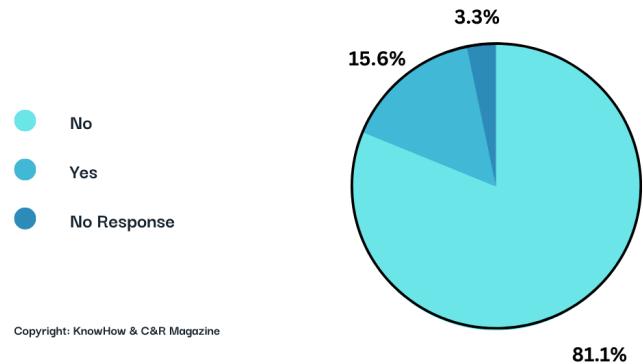
Do you have GPS tracking on your equipment & vehicles?



Bluetooth Technology for Job Monitoring

From the study, it seems that more than 80% of companies don't prioritize Bluetooth technology.

Do you use Bluetooth technology for job monitoring?



Software Adoption Challenges

Respondents by and large struggle to get full horsepower out of their software solutions. The most commonly stated reasons for not achieving full product return on investment are:

Low adoption across the whole team

This is the most prominent challenge for most restorers. If the entire team is not well up to date with the latest software in the company, it becomes a problem to deliver work. For instance, if the project manager and estimator have the necessary software skills but the technician does not, the overall project might slow down.

Insufficient training on how to use it properly

Not everyone is tech-savvy; therefore, if the training is not done properly, the employees will have a problem using the software tools in the field. Companies can overcome this challenge by using KnowHow which offers hundreds of pre-written how-tos processes for all the popular software and equipment in the industry.

Limited functionality for what I want it to do

27.9% of the respondents have an issue with software tools due to limited functionality. This is why it's advisable for companies to adopt tools that give staff access to all industry software in one place. Increasingly restorers are becoming more comfortable using similar software tools in a complementary manner.

Summary of key points

- ✓ As much as 23% of the Restoration marketplace has not adopted a popular Job Management software.
- ✓ Most companies in the industry don't currently prioritize Bluetooth monitoring technology.
- ✓ A company's biggest challenges in adopting technology include a lack of initial training, limited functionality, and poor adoption across the workforce.

Discussion questions for management teams

- ✓ What is the value proposition each of our software solutions is stated to offer, and what value are we achieving with the product? How do we close any value gaps we are experiencing?
- ✓ Which popular software solutions address key challenges we are experiencing today or will likely face in 2023? How do we learn more?

Action items

- ✓ In Q1 2023, task key leaders on your team to participate in a system demo with each of the must-have software solutions identified above that your firm currently does not use, and determine if there are solutions that would enhance your company.
- ✓ When adopting a new technology solution request additional upfront system training, and follow up training. As well, develop incentives when rolling out a new tool for your staff to motivate them to utilize a new tool.

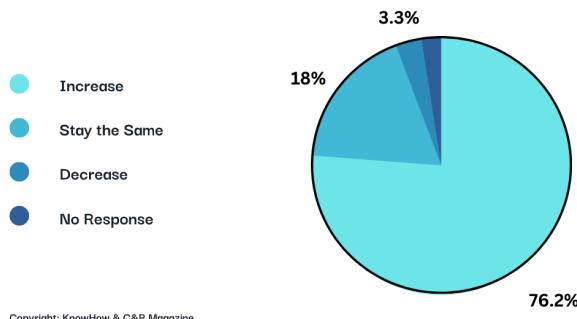


Chapter 6:

The State of Employment in the Restoration Industry: Hiring and Onboarding Employees

Attracting and retaining a trained workforce remains the single greatest challenge across the industry today. To better understand the internal dynamics of how industry leaders are thinking about their workforce needs going into 2023, we asked a series of important questions.

How do you anticipate the size of your workforce to change over the next 12 months?



An impressive 76.2% of business leaders anticipate their workforce's size will increase in the next 12 months. This is a positive outlook which means that it's going to be a competitive hiring market in the coming months. This also means that companies will need strong onboarding and retention strategies.

The Top Roles

Companies in the restoration industry are looking to employ workers in some specific roles. Here are the top 10 jobs that firms will be hiring for in 2023:

- Estimator
 - Technician
 - Project Manager
 - Business Development
 - General Manager
 - Lead Technician
 - Mitigation
 - Manager
 - Water Tech
 - Branch Manager

Powerful Insights

Our analysis revealed a surprising correlation in the use of social media in a company's selection process. According to the data, there is an inverse relation between employee tenure and utilizing social media to qualify a candidate - firms with lower tenure tend to rely on social media more when vetting candidates. Our hypothesis is that companies with established interview processes that have the time and capacity to facilitate a thorough selection process may not make use of social media to qualify a candidate as much as a company with a less structured process, pressed to make a decision based on fewer inputs.

Which specific roles (if any) are you planning to hire for within the next 12 months?

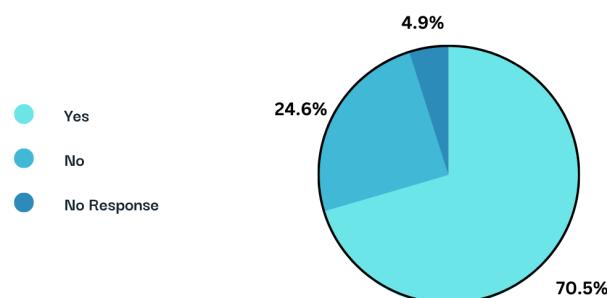


To effectively compete with other players in the industry, restoration companies will need to have an effective strategy to hire for these roles. This will ensure that you get the most qualified staff that will stay with the company longer.

The Hiring Process

Companies have adopted different hiring and screening methods in today's digital age. Besides the traditional job boards and email applications, they also often check social media pages while considering a new candidate. Our data suggests that 70.5% of the companies look at social media activity while 24.6% do not.

Do you check social media pages while considering a new candidate?



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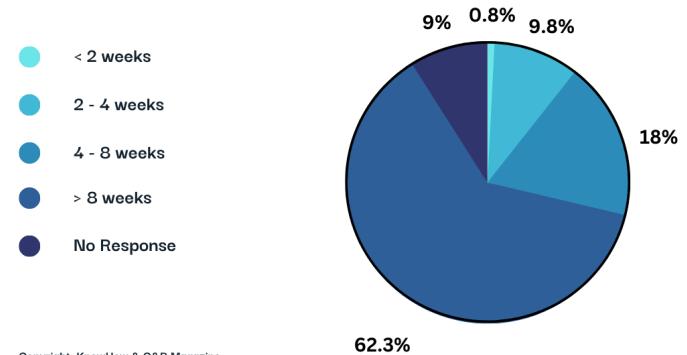
This means that job seekers should pay attention to their online activity as they look for a job. It's a good opportunity to highlight key skills.

New Hire Speed to Value

We suggest that the most important question in workforce today is how quickly can a new hire be moved from day one to competent, confident and delivering services in compliance with company standards. In our prior study, Why Workers Quit study, we learned that a leading reason for employees prematurely leaving their jobs arises from poorly defined or facilitated onboarding and training. We asked participants in the State of the Industry Study how long it takes new hires, particularly Technicians, Estimators, and Project Managers, to get fully competent, compliant, and productive in their company.

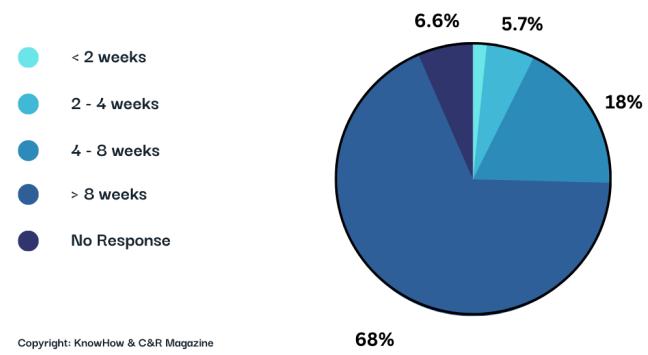
For 62.3% of Estimators, respondents indicated that it takes just under eight weeks to get them up to speed.

How many months does it take new hires in the following roles to get fully competent, compliant, and productive in your company? [Estimator]



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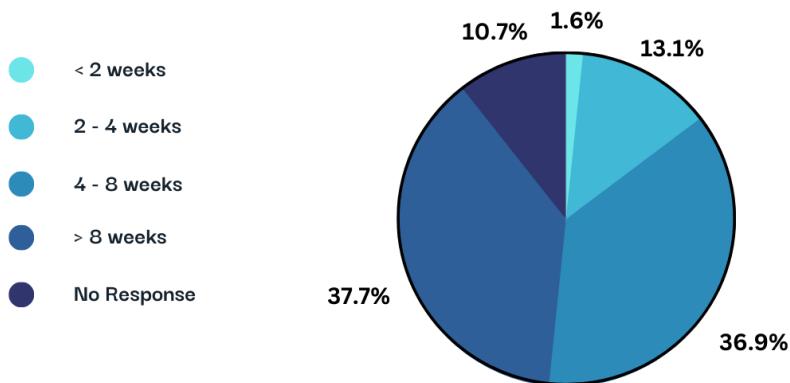
How many months does it take new hires in the following roles to get fully competent, compliant, and productive in your company? [Project Manager]



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For project managers, 68% of them take less than 8 weeks.

How many months does it take new hires in the following roles to get fully competent, compliant, and productive in your company? [Water Technician]



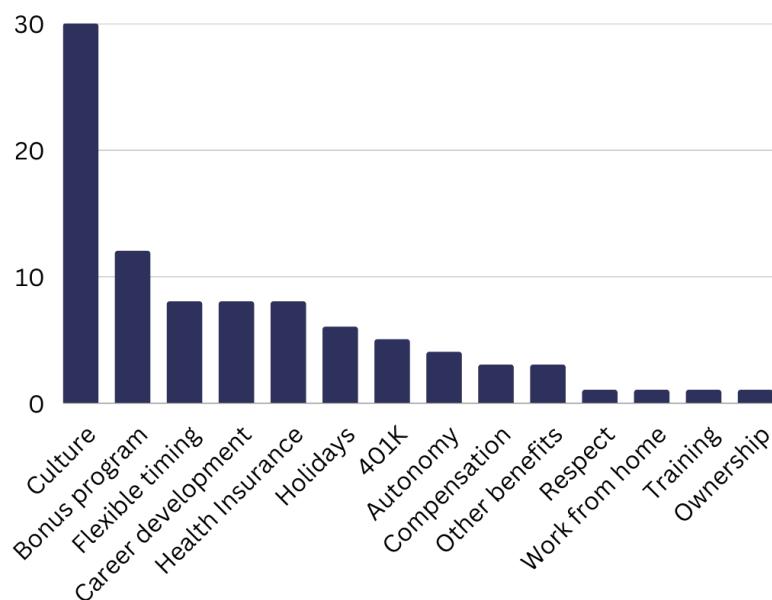
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On the other hand, for water technicians, most of them take between 4 to 8 weeks to become competent in job functions.

Did you know: KnowHow is the leading solution used by restoration firms to accelerate day one to competent and productive for new hires in every role. [Learn more here.](#)

Standing out from other employers with unique employment benefits

What is the most unique benefit your company offers to your front line staff?



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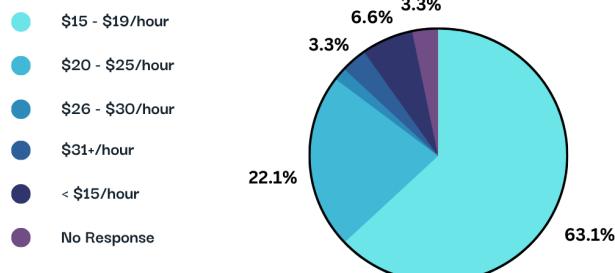
To reduce employee turnover, you need to come up with ways to stand out from the competition. From our study, culture is a common selling point, but also abstract and highly nuanced. Finding ways to tangibly 'show' your culture in job posts and during interview processes is critical.

We recommend selecting a few key benefits to emphasize within your workforce. The most popular benefits include bonus programs, flexible work timing, health insurance and career development.

Companies that offer 'work-from-home' options for office staff will stand out.

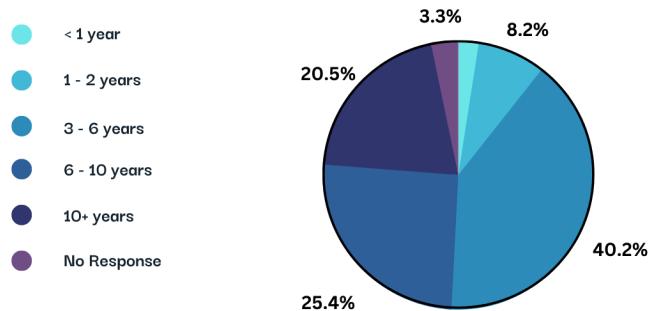
Worker average wage levels and tenure

What is the starting wage for entry-level technicians at your company?



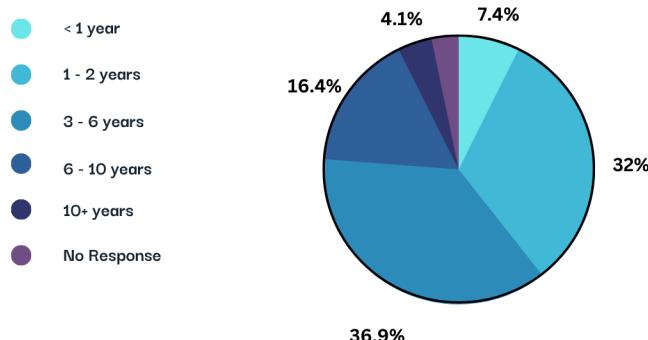
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What is your average manager or supervisor tenure?



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What is your average technician tenure?



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Powerful Insights

Strong company culture, and companies that see a healthy culture as an important benefit to offer their staff was a key common characteristic for the firms that achieved the longest worker tenure in both technician and manager roles. This matches similar findings in our study, [Why Workers Quit](#), in which we asked hundreds of technicians and managers what workplace factors retain staff - healthy company culture took the top prize.

The two strongest motivating company benefits offered by firms that drive the most worker motivation and retention are formalized bonus programs and health insurance programs.

There is general alignment across respondents, that the timeframe to get a technician, estimator and manager up to speed is largely the same amount of time. Depending on how you interpret these results will determine whether you think the industry takes too long to bring one particular role up to speed, or if you believe the industry does a superior job streamlining the onboarding of a particular role.

One of the more interesting correlations we identified is simply that, on average, long technician tenure and long manager tenure are highly correlated. It would appear that companies that take retention seriously, experience retention in both key roles.

Training Methods

The five most common training methods for new hires in the restoration industry include on-the-job training with a more experienced employee(OJT), using KnowHow, leveraging online resources, classroom training, and field training.



Appealing to Future Restorers

Based on research into what keeps industry leaders up at night, we know that creating a sustainable source of new, young recruits is a top priority. Respondents are making a number of common planned investments to resolve this common concern, building an appealing company culture, using advanced software tools, providing clear career paths for advancement, offering learning development, and increasing wage levels.

In your opinion, what can the restoration industry do to appeal to newer, young workers?





Summary of key points

- ✓ 76.2% of business leaders anticipate that the size of their workforce will increase in the next 12 months.
- ✓ Formalized worker bonus and health benefits programs achieve the highest worker motivation levels.
- ✓ Firms that invest in retention strategies, experience benefits in all key roles.

Action items

- ✓ Test drive a new worker training method in Q1.
- ✓ Develop a way to track the time it takes to get new hires up to speed, from day one to productive

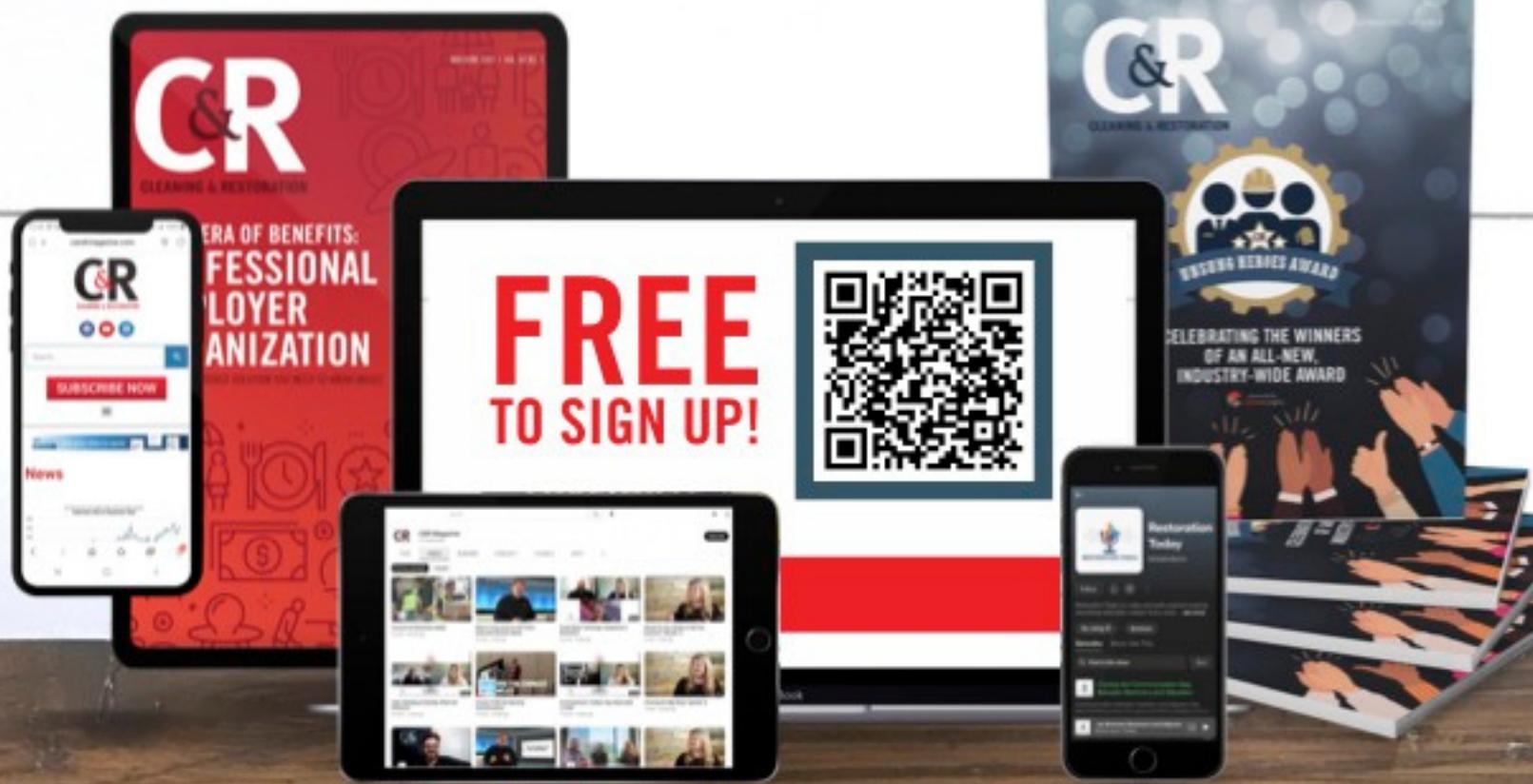
Discussion questions for management teams

- ✓ How can we appeal to younger workers in the next 12 months?
- ✓ How can we calculate how long it takes for our company to get each key role up to speed? How can we improve this time frame for each role?
- ✓ How would we describe our training method for new workers, and which of the most popular methods listed would work well for our workforce?



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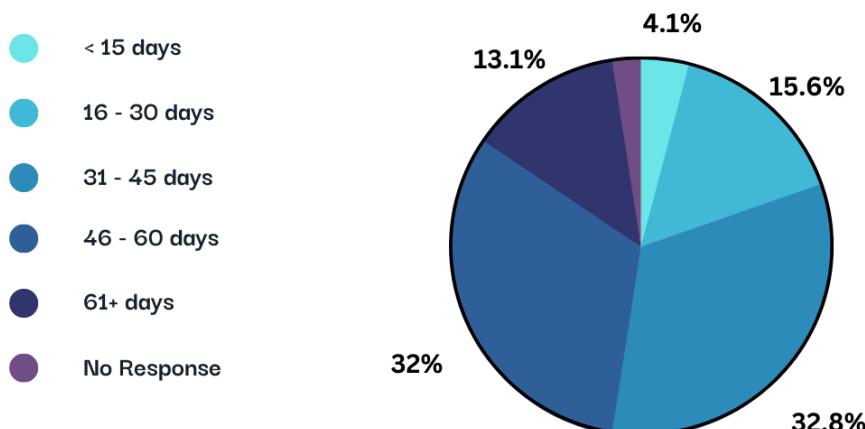


Chapter 7:

Payments & Profits: How Can Restoration Companies Improve their Payment Process

A common area of frustration in the restoration industry is the need for a more streamlined process of collecting job payments. Business leaders point out that getting paid is a problem. More than 64% of companies require 31 - 60 days to collect after job completion.

How long does it take your company to collect payment, in full, after a job is complete?



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One of the main things that keeps restorers up at night is simply getting paid in a timely manner. However, there are variables that can be addressed that can reduce payment processing time, such as established process, a culture of efficiency, prioritizing time for job planning, strong documentation, improved customer and adjuster communication, and reducing trips to the job site.

What are some examples of avoidable things that commonly eat your profit margin?

fuel cost poor documentation
multiple trip insurance company
adjuster estimate price list
inefficiency poor planning
poor communication
no process

Control what you can, not what you cannot. This old adage can be key to maintaining your sanity as you work to improve job profit margins.

Powerful Insights

Residential jobs offer the fastest payment collection, as expected. Unsurprisingly, in commercial projects, only 25% of respondents are able to collect payment within 45 days. As noted in the first chapter, there is a strong shift towards the average firm increasing the volume of the focus next year on commercial business, but with slower payments, greater cashflow restraints coupled with rising interest rates on working capital will likely create barriers for many firms to really accelerate this strategy. A strong AR to AP ratio is highly recommended.

We observed no pattern or correlation between payment delays and the percentage of a company's revenue that comes from TPA work. It appears to us that companies that have shorter payment delays have stronger internal mechanisms and processes in place to respond to a variety of sources of work.

Based on our research, payment collection is faster within Franchise companies as compared to Independent businesses.

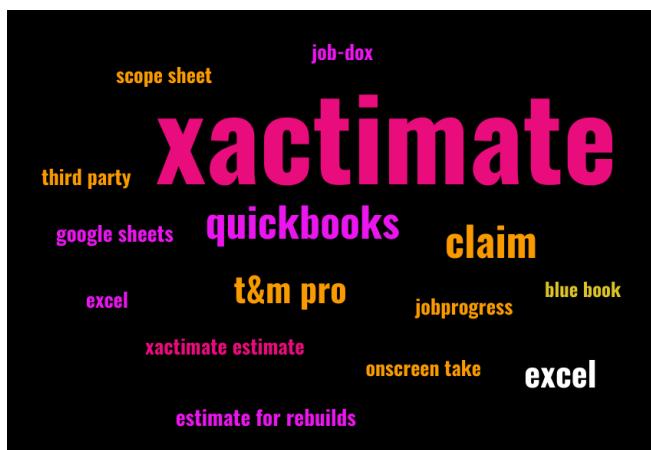
53% of respondents stated that it takes less than 45 days to collect on job payments.

Our research also revealed that 63% of Franchises are able to collect job payment within 45 days, whereas only 52% of Independent companies are able to collect job payment within 45 days. We also identified that based on the

We also found that there was no pattern between job payment delays and specific services offered by companies. Payment delays based on service varied widely between respondents.

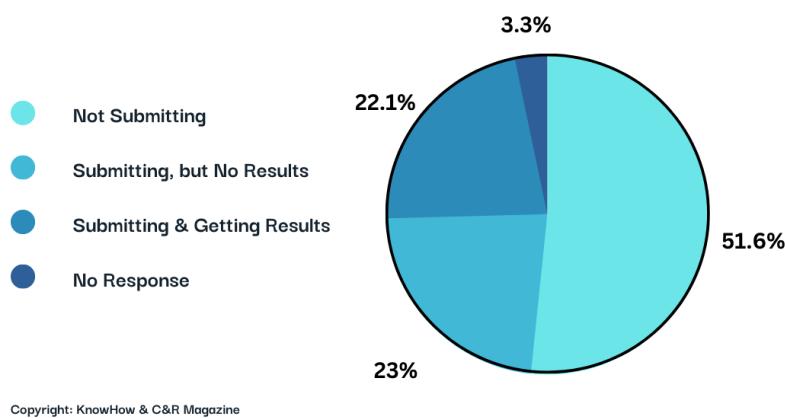
One final striking insight, companies with the fastest payment collection periods, on average, forecast conservative revenue growth over the next 12 months.

What tool do you use to create estimates?



The key to controlling your costs and margin starts with proper estimating. Surprisingly, respondents indicated that they use a number of different products to create their estimates.

Are you submitting pricing feedback to Xactimate, and if so, are you getting results?



A hot topic in the restoration industry is the pricing feedback loop between restorers and Xactimate, the industry's leading estimating solution.

According to our data, the majority of restorers do not submit pricing feedback, and those that do, by a slim majority, find the activity has no tangible result. For the 22.1% that do submit feedback, and receive results, bravo!

Summary of key points

- ✓ More than 64% of companies require 31 - 60 days to collect on payment after job completion.
- ✓ Over 50% of the respondents are not submitting pricing feedback to Xactimate.
- ✓ There is no clear correlation between payment delays and TPA work.

Discussion questions for management teams

- ✓ What are two or more tangible changes we can make in 2023 to speed up our average jobs payment timeframe?
- ✓ What things we can control that eat into our profit margins that we can impact in 2023?

Action items

- ✓ Develop a system to track your time payment timelines per project manager and by service.
- ✓ Speed up job payment times by establishing clear company processes.

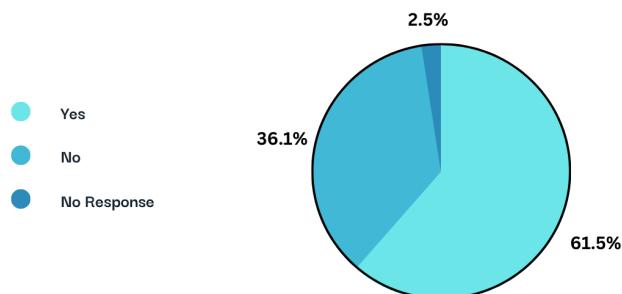


Chapter 8:

The State of Mergers and Acquisitions in Restoration

If you attended the Restoration Industry Association conference in 2022, you would have been aware that there is a very active Mergers and Acquisitions (M&A) dynamic at play within the industry - you could feel it in the air. Active acquirers include ATI, BluSky, First Service, Blackstone, Trinity Hunt, Roak Capital, and BMS CAT to name a few.

Was your company approached by a potential buyer in 2021 or 2022?

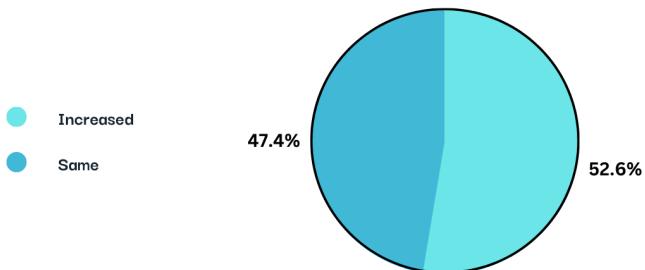


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61.5% of business leaders in the restoration industry have been approached by potential buyers in 2021 and 2022.

Acquisitions can have a positive or a negative effect on the business. For this reason, we wanted to understand how the business revenue of companies that have been acquired changed. Based on the responses, 52.6% have had an increase in revenue while 47.4% of businesses have stagnated.

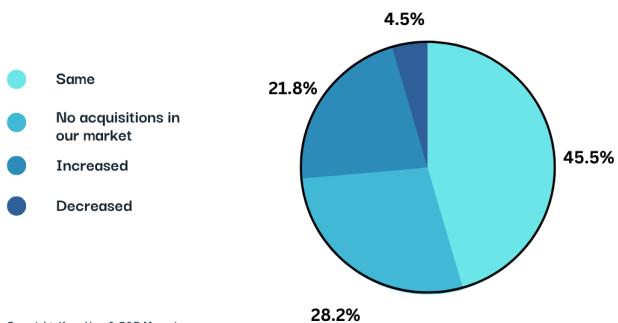
If you were acquired, how has your business revenue been impacted?



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Additionally, our study revealed that 45.5% of companies that have not been acquired, yet experienced an acquisition in their market, have not seen a change in revenue.

If you have NOT been acquired, how have acquisitions in your market affected your revenue?



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If you are planning to sell your company, we encourage you to use this data to weigh the impact of such acquisitions on your revenue.



Summary of key points

- ✓ 61.5% of business leaders in the restoration industry have been approached by a potential buyer.
- ✓ 52.6% of companies that have been acquired have had an increase in revenue.
- ✓ 67.3% of companies that have seen acquisitions in their market, but have not been acquired themselves, report same or increased revenue.

Action item

- ✓ Set up Google Alerts on your computer to notify you when one of the active industry acquirers makes a move - stay up on the power plays in your industry.

Discussion questions for management teams

- ✓ How could an acquisition boost our company's revenue?
- ✓ What would it look like for us to make an acquisition in 12 months?
- ✓ What are two things we need to start doing, and two things with need to start doing to position our company for acquisition by Year End 2023?

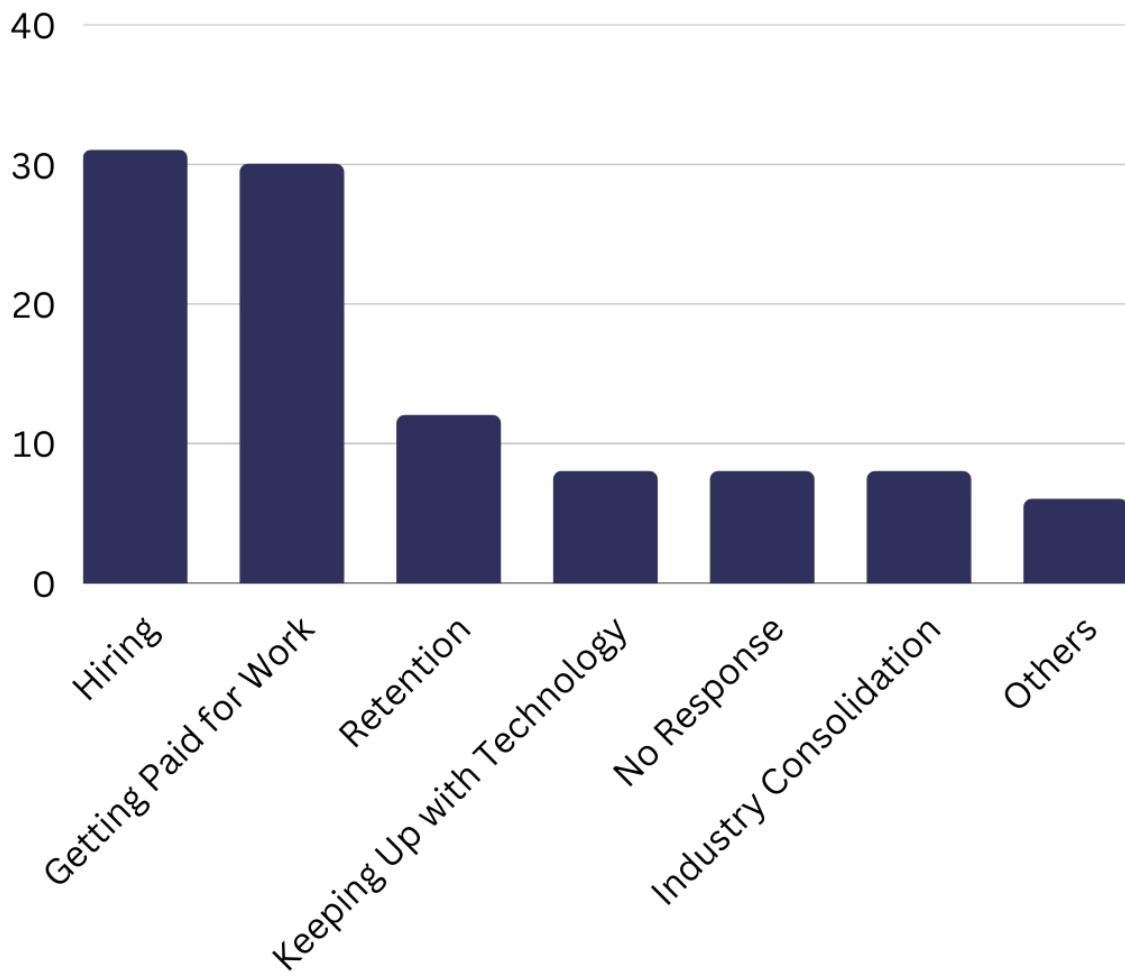


Chapter 9:

The Biggest Challenges in the Restoration Industry

Companies in this industry are face a wide range of challenges, some internal and others external. Respondents anonymously shared what their biggest challenges going into 2023 - what keeps them up at night.

What do you find as the biggest challenge for YOUR restoration company?



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Restorers today continue to experience significant challenges in attracting, hiring and retaining their workforces. This pain point, and the 'Great Resignation of 2021' that embodied it, were the catalyst behind our last study, [Why Workers Quit](#). Front of mind for industry leaders going into 2023 are recruiting and retaining staff.

A very close second place challenge is getting paid for work in a timely manner. With the rising economic uncertainties posed by a potential recession, and rising interest rates squeezing cashflow, companies are very concerned about payment timelines for completed jobs.

Despite all of these concerns, as stated earlier in the report, restorers by and large are optimistic going into 2023, with 76.2% of firms planning to grow their headcount next year, and 77% forecasting year over year revenue growth in the months ahead. Restorers are a tenacious and optimistic type of business builder!

Looking ahead over the next 6-12 months, what's the one variable that keeps you up and night?



What keeps restorers up at night?

As the year draws to a close, the question that we wanted to understand is simply, what keeps restorers up at night on the eve of 2023? The following subjects are to blame for restless nights and anxiety filled dreams:

1. Dealing with insurance companies and carriers
2. Maintaining sufficient cashflow levels
3. Sourcing enough steady work
4. Keeping up with change
5. Dealing with sub-contractors
6. Solving labor challenges and general staffing
7. Retaining one's employees
8. Maintaining an acceptable profit margin
9. Questioning one's own ability to overcome this challenges

Which of these challenges has caused you to lose some sleep this year?



Key Takeaways

- ✓ Hiring and getting paid for work are the biggest challenges for most companies.
- ✓ You are not the only one losing sleep at night over a variety of very real challenges in this complex industry.

Action items

- ✓ Approach your staffing challenges with this same enthusiasm and priority as your revenue and cashflow challenges.
- ✓ Set a resolution for next year to reduce one or more stressors that keep you up at night by 25%+

Discussion questions for management teams

- ✓ Taking turns around the table, which of the nine factors that keep restorers up at night is each key manager experiencing in our company?
- ✓ What have been our biggest business challenges in 2022, and what do we anticipate will be our biggest challenge in 2023?



Conclusion

What will it take for Restorers to succeed in 2023?

The restoration industry is preparing for growth. Coming back from the effects of the pandemic, companies are looking to invest in their businesses and expand their teams.

Our goals for this Report were to:

1. Establish a thorough and trustworthy annual data-driven report to support informed decision making for all industry stakeholders.
2. Support management teams in their preparations for the next year.
3. Identify patterns, trends and insights that can only be reliably ascertained from a thorough, industry-wide survey.

Success in 2023 will require a series of wise, strategic decisions. We hope this report supports you to that end. We close by emphasizing some key points:

- Most restorers are planning to increase headcount and revenue in 2023
- There will be an increasing shift from residential & TPA work to commercial projects as 60% of restorers would like to see 10% or less of their work come from TPA
- Businesses are investing more in employee training and advanced operations software systems to future proof their companies
- Firms optimizing new hire speed to value will have a critical advantage
- The supplier marketplace will become increasingly more competitive
- There's a significant need for businesses to streamline their payment process
- Firms that can develop successful strategies to achieve software adoption in their workforces will have a clear advantage
- Worker training investments must consider how young workers prefer to learn outside of work in 'just-in-time' and 'on-the-go' formats

On behalf of our teams at C&R Magazine and KnowHow, we hope that you have found this report to be useful and engaging for both you and your team. We wish you a successful and well-informed 2023.



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knowhow.



KnowHow is a workforce enablement software platform that provides **all** standardized operating procedures and 'how-to' needed to guide your team into their future in your company.



More resources from the KnowHow Research Team

