




# Flat or High Gloss?

Outlook for the future of the painting industry





**The past two years have been more difficult than painting stucco without an airless sprayer for the painting industry. Those that survived the pandemic downturn shared an overabundance of work. But now, with a slowing economy, many painters wonder whether to expect a flat or high-gloss outlook. This white paper provides painters with an unbiased look at the industry and the emerging trends reshaping the painting industry's future.**

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## Introduction

After dealing with labor and material shortages for the last two years, those that managed to survive found themselves in the middle of an unexpected construction boom. Then, to slow inflation, the federal government began raising the prime interest rate. Unfortunately, higher interest rates pushed many potential homebuyers out of the market and caused developers to shelve commercial projects until economic conditions improve.

Despite the short-term interest rate concerns slowing the economy, the residential and commercial markets will continue to grow as per capita disposable income increases.

Infrastructure projects, including shipbuilding, roads, and the industrial painting/coating markets, can expect sustainable growth from the passage of massive infrastructure legislation, such as “The Creating Helpful Incentives to Produce Semiconductors and Science Act” (The CHIPS Act)<sup>1</sup> and “The Infrastructure Investment and Jobs Act” (IIJA)<sup>2</sup>.

Technology continues to reshape the industry with better tools and products. As a result, today’s painters are far more productive and safer than ten years ago, and the longer-lasting finishes require less maintenance or repainting.

(1) [www.mckinsey.com/industries/public-and-social-sector/our-insights/the-chips-and-science-act-heres-whats-in-it](https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-chips-and-science-act-heres-whats-in-it)  
(2) [www.investopedia.com/here-s-what-s-in-the-usd1-trillion-infrastructure-bill-passed-by-the-senate-5196817](https://www.investopedia.com/here-s-what-s-in-the-usd1-trillion-infrastructure-bill-passed-by-the-senate-5196817)



## The state of the painting industry in 2022

Before discussing emerging trends and their potential impact, it's essential to understand the current industry market size, key companies, employees, and services.

According to the Bureau of Labor Statistics<sup>3</sup>, today's painting industry features three distinct service categories based on their projects.

**Residential painters** prep and paint the interiors and exteriors of homes and residential buildings such as condos or apartment buildings. The residential painter may have to work around demanding tenants or owners and may need to adjust their hours or schedules.

**Commercial painters** usually prep and paint the interiors and exteriors of offices, businesses, and other nonresidential buildings and structures. Due to the size and complexity of commercial projects available, commercial painting timelines are longer than residential projects.

**Industrial painters** are responsible for the prep and painting of:

- + large machinery, such as industrial or manufacturing equipment.
- + Vehicles, including trucks, planes, and ships.
- + structures such as bridges, roads, and water towers.
- + special coatings to reduce corrosion or deterioration.

And industrial painters must generally contain the work area to prevent public exposure and hazardous materials from contaminating the environment.

### Painting industry overview<sup>4</sup>

Segment	Amount	17-22 Growth	22-27 Growth
Revenue	\$36.5 Billion	0.6%	1.6%
Profit	\$2.6 Billion	0.0%	1.3%
Wages	\$12.3 Billion	1.5%	1.8%
Companies	261,000	1.8%	1.8%
Employees	428,000	1.8%	1.8%

While the revenue and profit numbers for 2017-22 are flat, the painting industry can expect a glossier future.

Projected revenue growth will push industry revenue toward the \$38 billion mark through 2027, an increase of \$584 million in new revenue for the industry.

After five years, profit margins should grow from 7.1% to over 8.4% by 2027, which translates into \$3.38 million in extra profits for painters.

The number of new companies and employees will also increase at the same rate as the previous five-year period. By 2027, the industry can expect another 4,600 companies and ~8,000 new employees to join the painting industry.

Wages will continue to outpace other indicators as many painting contractors pay higher salaries to keep key staff such as foremen, estimators, and supervisors. As a result, wages will make up more than 35% of company expenses by 2027.

(3) [www.bls.gov/ooh/construction-and-extraction/painters-construction-and-maintenance.htm#tab-2](http://www.bls.gov/ooh/construction-and-extraction/painters-construction-and-maintenance.htm#tab-2)  
(4) U.S. INDUSTRY (NAICS) REPORT 23832 / CONSTRUCTION Painters in the U.S. Report by: Arnez Rodriguez | August 2021

### Major commercial players<sup>4</sup>

Company	Market share	Revenue
Clayton Dubilier & Rice LLC	1.2%	\$441.4 Million
FD Thomas Inc.	1.0%	\$351.8 Million
Jerry Thompson & Sons	0.1%	\$52.5 Million

Market share concentration remains low, as the three largest painting contractors hold less than a 3% combined market share.

Low startup costs are attractive to individuals looking to enter the industry as part of a career change after the “great resignation”, or for other reasons. Industry consolidation remains low, as sole proprietorships and LLCs will continue to dominate industry revenue, operating within specific geographical locations or markets.

- + 74.9% of companies have 1-4 employees
- + 13.8% of companies have 5-9 employees
- + 6.7% of companies have 10-16 employees

As a result, 88% of industry revenue comes from smaller companies with fewer than a dozen employees.



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### Market segmentation<sup>4</sup>

Projects	Market share
Residential building	44.3%
Nonresidential building	41.1%
Non-building	14.6%

Market segmentation is nearly equal between the residential and nonresidential markets, with the non-building sector holding a much smaller market share of the available projects and industry revenue.

### Products & services segmentation<sup>4</sup>

Service	Market share
General residential painting	41.5%
General non-residential painting	38.5%
Wallpaper removal/install	4.2%
Non-building painting	13.8%
Other services	2.0%

Products and services fall into the same three categories that make up the market segments: residential, commercial, and industrial. The main differences here involve the paints or coatings used for each type of application, since most are applied by hand, using brushes and rollers, or mechanically, using power rollers and sprayers.

### Industry segmentation by customer<sup>5</sup>

Industry	% of projects	Industry	% of projects
Manufacturing	14%	Technology	5%
Construction	13%	Education	4%
Retail	12%	Media	2%
Health Care	9%	Real Estate	2%
Hospitality	8%	Automotive	2%
Finance	6%	Insurance	2%
Government	6%	Startup	1%
Professional	6%	Nonprofits	1%
Fortune 500	5%	Internet	1%

According to Zippia, the chart above breaks down the nonresidential painting industry customers by industry or profession.

Over 35% of all nonresidential industry customers come from the manufacturing, construction, or retail markets. Another 40% of customers come from hospitality, health, finance/professional, government, or Fortune 500 companies.

The remaining 25% filter down into the more specialized niches and industries.

(4) U.S. INDUSTRY (NAICS) REPORT 23832 / CONSTRUCTION Painters in the U.S. Report by: Arnez Rodriguez | August 2021  
 (5) www.zipppia.com/painting-contractor-jobs/demographics/



## Painting trends to watch moving forward

As the pandemic issues continue to disappear, many painting contractors are looking toward the future and wondering what to expect. The short answer is to start preparing to grab their share of increased industry growth and profits by leveraging these emerging trends for the painting industry.

### 1 Technology

While the painting industry escaped the digital transformation as customers went online during the pandemic, technology is finally catching up with the industry.

Since companies with 1-4 employees generate 75% of all industry revenue, most painters don't use an elaborate time tracking or accounting program in their business. Instead, basic applications like spreadsheets and word processing programs can handle the job for many painting contractors.

But several customer-facing technology products could save the busy painting contractor time and energy.

- + Color and paint matching apps simplify the color matching process for everyone involved, which can add hours back into your schedule every month.
- + Interior design apps allow the customer to "see" the finished product before you even order the paint or wall coverings.
- + Schedule and calendar apps allow customers to reserve time for consulting, inspecting the site, or even scheduling their project via your calendar.

And technology is also improving the tools and products used throughout the painting industry. Newer paints/stains last longer, thanks to additives

that resist fading, streaking, peeling, blistering, and UV protection.

In addition to the tried-and-true airless sprayer, pneumatic, and High-Velocity Low Pressure (HVLP) sprayers can be used to deliver smooth, consistent finishes in less time, improving worker performance on every project. Increased productivity cuts labor costs and project timelines while boosting profits.

### 2 Residential market demands

The residential market represents over 40% of industry revenue and is a major indicator of the health of the painting industry. Higher mortgage rates and inflation have already pushed some potential buyers out of the market, but for how long?

According to CNN<sup>6</sup>, mortgage rates could fall from the current rate of 6.94% to 5.4% by Q4 of 2023. An interest rate drop of 1.5% would allow millions currently excluded from the market to begin house-shopping again. CNN is quick to point out that any slowing or reversal of the inflation rate could result in lower mortgage rates sooner than December 2023.

It's also no secret that many companies increased wages to attract or keep key employees such as supervisors, department heads, and management personnel. The result of these higher wages is a 3.1% increase in disposable income for many workers, compared to pre-pandemic conditions. Higher incomes, combined with lower interest rates and the low number of available houses, should spark demand for new construction, renovation, and maintenance projects for the residential painting industry.

(6) [www.cnn.com/2022/10/24/homes/mortgage-rate-forecast-2023](https://www.cnn.com/2022/10/24/homes/mortgage-rate-forecast-2023)

### 3 Commercial market demands

Not to be outdone, recent infrastructure legislation is good news for the commercial painting industry, which relies on nonresidential and non-building projects for revenue. As a result, billions of dollars' worth of federally funded projects will get built over the next decade.

The CHIPS Act - The official full name of this new law is "The Creating Helpful Incentives to Produce Semiconductors and Science Act." According to McKinsey & Company<sup>1</sup>, the primary goals of the \$280 billion act are to:

- + Bolster U.S. semiconductor manufacturing capacity
- + Catalyze ongoing R & D
- + Create regional high-tech hubs to encourage and foster a larger, more inclusive STEM workforce over the next 10 years.

The Infrastructure Investment and Jobs Act of 2022 (IIJA) includes over \$550 billion in new construction projects to rebuild the nation's aging transportation systems and electrical/utility networks. Here is a partial list<sup>6</sup> of proposed construction projects and funding that involve the painting industry.

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- ▶ **\$110 billion for roads and bridges.** Besides construction and repair, the funding also helps pay for transportation research at universities, funding for Puerto Rico's highways, and "congestion relief" in American cities.
- ▶ **\$66 billion for railroads.** Funding includes upgrades and maintenance of America's passenger rail system and freight rail safety, but there's nothing for high-speed rail.
- ▶ **\$39 billion for public transit.** Funding here provides for upgrades to public transit systems nationwide. The allocation also includes money to create new bus routes and help make public transit more accessible to seniors and disabled Americans.
- ▶ **\$25 billion for airports.** This allocation provides funding for major upgrades and expansions at U.S. airports. Also, air traffic control towers and systems would receive \$5 billion for upgrades.
- ▶ **\$17 billion for ports.** Half of the funds in this category would go to the Army Corps of Engineers for port infrastructure. The remaining funds would go to the Coast Guard, ferry terminals, and the reduction of truck emissions at ports.
- ▶ **\$11 billion for safety.** Appropriations here address highway, pedestrian, pipeline, and other safety areas, with highway safety getting the bulk of the funding.
- ▶ **\$8 billion for western water infrastructure.** Funding will address ongoing drought conditions in the western half of the U.S. through investments in water treatment, storage, and reuse facilities.

(1) [www.mckinsey.com/industries/public-and-social-sector/our-insights/the-chips-and-science-act-heres-whats-in-it](https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-chips-and-science-act-heres-whats-in-it)

As the infrastructure improvements are completed, local economies can also expect to see an increased demand for commercial and residential construction projects. New or improved transit centers and rail stations will attract new retail outlets, dining, entertainment and other new businesses. Airports and port improvements and expansion will create a need for more parking, traffic control systems, and support industries such as hotels, car rental, and shuttle services. New or improved roads and bridges could open up new areas for residential developments or communities.

Despite the short-term uncertainty around inflation and mortgage rates, companies in the painting industry can expect to see sustainable growth in the demand for painting services across the residential, commercial, and non-building market sectors over the next five years.

**Are you ready to level up, increase sales, and find new customers for your business? With BBB Accreditation, your painting business can stand out from the rest. Find out how to Get Accredited today.**





# How to build a loyal customer base

## Create a Customer-First Mentality

With limited face-to-face interactions, it's important to step up your customer service game. Make time for your customers by maintaining transparency, communicating consistently, and answering questions.



### Personalize Your Communication

A Segment survey found that 71 percent of consumers get frustrated by impersonal encounters by companies. Earn your customer loyalty by building and delivering an authentic, personalized experience.



### Start a Community

With social media abundant, Entrepreneur recommends creating an online community that encourages customer engagement and user-generated content, such as final product photos taken and shared by customers.



### Respond to Reviews and Complaints

Whether it's a one-star rant or a five-star cheer, it's up to the business to respond positively and openly. Choosing to answer each review promptly and kindly can increase trust in your brand.



### Honor Promises

Whether there are supply issues, price quotes, or unforeseen mistakes, work to keep the line of communication open with customers. By honoring promises and operating with transparency, you're building trust.



**THE SIGN OF A  
BETTER  
BUSINESS<sup>SM</sup>**

## What business owners like about BBB

- 1 Accredited Business **status on BBB.org**
- 2 Use of the **Accredited Business Seal**
- 3 BBB **Customer Reviews**
- 4 BBB **Dispute Resolution**



# The Sign of a Better Business<sup>SM</sup>

## Be a Top Business in Your Industry

We asked businesses how BBB Accreditation impacts them. Here are their responses...

- 1 Accreditation increases the **credibility** of my business
- 2 Accreditation shows **integrity** in our business practices
- 3 Accreditation builds consumers **trust**
- 4 Accreditation increases my **visibility** as a reputable business
- 5 Accreditation shows **we care** about our customers



## THE SIGN OF A BETTER BUSINESS<sup>SM</sup>

Business owners also said the BBB Accredited Business Seal shows they are...

- **reputable**
- **trustworthy**
- **honest**

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