



BBB® INDUSTRY REPORT | US

# Plumbing Industry Outlook

## Trends and Opportunities





**More than 200 years since it became a profession, today's plumbing industry moves with a deliberate pace. In the U.S., 2022 market growth is projected at 1.7%. Behind this unassuming number is a larger story about the ebbs and flows in the economy, and the impact on an increasingly competitive construction market valued at \$124B today.**

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# Introduction

In the last five years, the U.S. plumbing market grew at around the rate of U.S. inflation – about 2.5% annually. Despite the resurgence in construction and private home improvement spend that began last year, the plumbing industry's annual growth is expected to slow below 1%<sup>(1)</sup>. So, why the sudden decline in growth rate?

The two biggest macro factors creating near-term momentum in the plumbing market are both familiar: **new building starts** and **home improvement spend**.

Both are recovering from pandemic levels but still struggling to find the new normal. New residential home starts, for example, decreased 4.1% in January alone. But at the end of March, those home starts were higher than 15 years ago. Meanwhile, the number of stalled commercial construction projects increased 47% since the pandemic began. Upward pressure on interest rates to combat widespread inflation continues. But most things have become more expensive for plumbers, developers, and consumers alike.

(1) Industry at a Glance, OD5584 Plumbing Service Franchises, IBISWorld, November 2021



Other factors, like consumer quality and efficiency standards, are changing and challenging old technologies and design principles. Early-adopter consumers are demanding sustainable home water systems, slowly creating new experience and efficiency standards for modern home infrastructure that plumbing operators can meet using new technology and policy standards.

In this whitepaper, we'll discuss the five trends affecting the plumbing industry's future growth prospects. These trends already challenge franchise owners and local independent plumbers alike to manage post-COVID supply chain inflation and interest rate increases. These trends will define the future of consumer demand for plumbing system

efficiency and quality, and how businesses market services online. A labor pool rapidly approaching retirement age serves as an underlying people trend and may signal future industry consolidation.

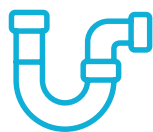
### 5 trends affecting the industry:

1	<i>Rising inflation and interest rates</i>
2	<i>Demand for efficiency</i>
3	<i>Thirst for quality</i>
4	<i>Pressure to compete online</i>
5	<i>Aging workforce</i>

## The plumbing industry in 2022: *Mature, Bottom-Heavy...and Poised for Significant Change*

The industry has survived two centuries of evolution and today stands as the **fifth-largest construction category in the U.S. at \$124B in total market value.**

There are 323 plumbing service franchises in the U.S. dominated by three national plumbing brands that command less than 5% of the total U.S. plumbing market share. Tens of thousands of licensed plumbing operators serve communities under local and regional brand names<sup>2</sup>.



3 national brands

320 other franchises

128,000 small businesses

480,000 total plumbers

The industry's labor force is both highly transactional and fungible. That is, plumbers get the job done and move onto the next, and plumbers can move between independent and contracted work easily across a range of zip codes. While it can take years to get licensed and apprentice for a company, plumbers have employment and schedule flexibility once licensed.

Consumers, meanwhile, are usually quick to hire a local pro based on an immediate need, online reputation, and neighborly suggestions. That works fine when expected project costs are low. But the cost of plumbing work today has increased significantly in the last five years.

(2) Industry Statistics, Plumbers in the U.S., IBISWorld, April 2022



# Market trends

Traditional plumbing services growth is pretty simple. **The more structures built, renovated and maintained, the more opportunities there are to sell services.** While renovation and maintenance spend may spell revenue opportunity, the biggest growth unknown is new construction.

New residential construction continues a steady march post-COVID – 3.7% projected annual growth through 2026. But nonresidential construction - projects like schools, hospitals, municipal centers, offices and factories - ground to a halt during the pandemic. And the uncertain rebound of commercial

projects in particular reflects in a -2.2% annualized growth forecast through 2026. Moreover, private home improvement spend is projected to decrease at an annual rate of 0.9% over the next five years, a sign that even renovation-related revenue may be highly competitive<sup>2</sup>.

Let's take a look at three key trends that continue to affect the entire construction industry today, one near-term trend that may spur market consolidation and one long-term trend that will fundamentally change consumer demand for modern plumbing technology going forward.

(2) Industry Statistics, Plumbers in the U.S., IBISWorld, April 2022



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# Short-term trends

## Global supply chain disruption

Global supply chain disruption continues. Raw materials like wood and metal fittings are in short supply. According to the Associated General Contractors of America, **the price of construction-related materials rose almost 20% in 2021**. The steel mill price index, which simply measures the price inflation of steel products over time, increased 127% in 2021.



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As plumbing businesses large and small deal with more expensive material costs, consumers are feeling the increased costs in maintenance and home improvement. Plumbing contractor costs are already on the rise, forcing owners to rethink projects. According to the U.S. Bureau of Labor Statistics, **consumer inflation rose 7.9% between February 2021 and 2022**. Basic building material costs have increased over 30% on aggregate since 2020. Since 2021 alone, price increases in concrete (+7.3%), lumber (+79.5%), exterior paint (+30.3%) and steel (+74.4%) have all pushed homeowners and contractors alike to reconsider the timing of projects and budgets.

National and regional plumbers can renegotiate supply contracts to help address material shortages and price changes. The small businesses that make up the industry majority don't have the same leverage with suppliers, who want large, predictable contracts. These smaller plumbing contractors must find other ways to maintain or grow revenue.

## The challenge of rising interest rates

Rising interest rates make business growth trickier: borrowing money becomes more expensive for everyone. The entire U.S. economy must adapt to a planned series of rate increases. Some financial institutions are calling for frequent, significant rate hikes to nip inflation.

While interest rates are on the rise, they remain historically low. Nonetheless, rate increases cascade on both sides of the market. Developers bringing more buildings to market will evaluate how more expensive loans impact project feasibility.

For the plumbing service industry overall, this disrupts revenue forecasting and growth plans, which typically take loans to accomplish, even in a low capital intensity marketplace<sup>2</sup>. Bigger franchises can use their market influence in other parts of the business to manage operating volatility: developer partnerships, supplier agreements, and marketing spend are just a few areas of profit-control.



increased rates and  
expensive loans mean  
tradeoffs in other expenses  
such as advertising

Smaller plumbing businesses, however, especially independent operators, may struggle to handle these increased rates as more **expensive loans mean tradeoffs in other business expenses** that reduce market exposure and competitiveness, like advertising online, which is critical to hyper-local industries that compete with big, visible brands.

(2) Industry Statistics, Plumbers in the U.S., IBISWorld, April 2022



## Online marketing a must

Young and seasoned operators continue to adopt online marketing to attract customers and build local brands. **Digital marketing spend should see an uptick, as should all things content-related:** customer reviews, mobile-first websites, DIY blog articles, and advertising on the most searched sites for home improvement.



Google Ads keywords for  
"plumbers near me" cost  
roughly \$28 per click

Local businesses will be at a double disadvantage in this regard: national brands can afford large marketing budgets and have more experience creating demand online. **An independent plumber or local brand owner / operator may not have the time, team, or margin to prioritize digital marketing.** In May, Google Ads keywords for "plumbers near me" cost roughly \$28 per click.

None of those tactics will uproot the largest North American brands, but local competition could create favorable discounting for people looking to save a bit on a home project, which in turn may help control inflated project costs.



*Did you know that many BBB's offer affordable marketing opportunities to their Accredited Businesses? Check with your local BBB to learn more!*





## Trends to watch

### Labor supply is aging...Fast

It takes four to five years of training as an apprentice before someone entering the trade is licensed to work unsupervised in a customer's home. Meanwhile, plumbers continue to age toward retirement in an increasingly technical profession. This "exit" pressure on plumber laborers hasn't hit the market yet. These **projected labor shortages may lead to salary increases, as businesses compete to keep talent.**



*According to the U.S. Bureau of Labor and Statistics, the share of employees over age 55 is expected to rise to nearly 25% by 2024.*

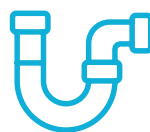
### Conservation, efficiency, and sustainability move through the pipes

Consumers continue to adopt water conservation as a design feature for both owner-occupied and rental homes, forcing the industry to rethink technology and modern plumbing design. Part of this adoption directly traces to COVID: many people doubled down on the idea of sustainability as a crucial factor for clean personal and public environments.

Industry technology trends confirm consumers are increasingly installing highly efficient water systems that save on water and self-identify issues like a drop in pressure, which could signal a leaky pipe. Systems that kill bacteria are another popular option.



As the plumbing industry adapts to developer and consumer sustainability demands, system requirements and project costs are changing too. **Commercial developers in particular will spend more upfront on higher efficiency and automated systems. Meanwhile, consumers demanding more sustainable water systems in their residential homes will also spend more for modern plumbing technology.**



*consumers are increasingly installing highly efficient water systems and other sustainable products*

In both cases, plumbing businesses stand to make more short-term revenue as the thirst for modern plumbing tech and advancements in materials and automation grow.



# 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.



## BBB Accreditation: The top 5 reasons businesses value it<sup>3</sup>

- 1 Increases the **credibility** of my business
- 2 Demonstrates **integrity** in our business practices
- 3 Builds customer **trust**
- 4 Enhances my **visibility** as a reputable business
- 5 Shows we **care** about our customers

(3) Source: IABBB Research, 2022, Survey of BBB Accredited Businesses





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

## Be a Top Business in Your Industry

Plumbers that embrace industry trends and deliver on their promises should continue to grow and flourish. **Let BBB help your company stand out from the competition.**



### Differentiate your company

Standing out in a crowded marketplace isn't easy, but adding the BBB Accredited Business Seal to your advertising does just that! It tells everyone that you're committed to the BBB Standards of Trust to provide extraordinary customer care.

Your accreditation adds you to BBB's exclusive community of trustworthy businesses where over 140 million searches occur every year.



### Attract the best employees

Great companies need good, dependable employees to handle increasing demands. And high performing employees want to work for companies that have shown they're honest, dependable, and trustworthy.

BBB Accredited Business Seal tells job hunters and customers that your business is one that does the right thing, one they can trust. When they see the seal in your ads on your website, they can be confident in signing an offer letter or a contract, thanks to your BBB Accreditation.



### Bridge the trust gap

Whether a prospect is tech-savvy or tech-challenged, they can click through and see your company details from an independent third-party perspective. This results in instant credibility and trust using the dynamic BBB Accredited Business Seal. Offline, you can use the seal to raise awareness in ads, on company vehicles, your storefront, or wherever you advertise.



### Build a better business

BBB.org is full of resources to help you start, manage, or expand your business. Use our business tips, branding assets, business resources, and customer resolution services to help you engage and keep your most valued stakeholders.

You can learn more about these BBB benefits, the accreditation process, and our complete library of business resources. Contact your local BBB today or visit [BBB.org/get-accredited](https://www.bbb.org/get-accredited).





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