

Contact: John LaRosa

Marketdata Enterprises, Inc.
Phone 813-907-9090
Fax 813-907-3606
e-mail marketdataent@yahoo.com

Marketdata Enterprises, Inc.
8903 Regents Park Drive
Suite 120
Tampa FL 33647

Marketdata Enterprises
The Information Specialists

Press Release

Recession-Resistant Commercial Cleaning Industry Adapts to More Demanding Customers

Tampa FL, June 25, 2012... Marketdata Enterprises, Inc., a leading independent market research publisher of "off-the-shelf" studies about SERVICE industries since 1979, has released the 9th edition, a 227-page market study entitled: **The U.S. Commercial & Residential Cleaning Services Industry**. The study estimates national receipts from 1987-2016 forecasts, covers operating ratios, emerging trends, franchising, competitor profiles and more.

"This \$78 billion business, which encompasses janitorial services, pest control, window cleaning, carpet/floor cleaning, parking lot maintenance, security, HVAC/facilities management, residential maid services, disaster restoration, and more, is very competitive, comprised of 820,157 mainly small operators, including 48,000 franchised outlets. Competitors run the gamut from mom & pop cleaners, to giants such as ABM Industries with \$2.4 billion in revenues. Many feel that this business is recession-resistant. This is a low-tech business that's easy to enter, and many do. However, moderate growth in receipts came to a halt in 2009, hurt by the recession, the housing bust, the collapse of commercial real estate, low-ball pricing and lower profit margins.", according to Research Director, John LaRosa:

Major Findings

- **Revenues...** Marketdata estimates that industry receipts grew 2.5% to \$78 billion in 2011. In 2009, receipts fell by the most since 1993—down 4.6%. This year, we expect 3% gains to \$80.5 billion, and 4% yearly gains to \$93.7 billion by 2016. Specialty niches like disaster restoration, HVAC, security, air duct cleaning and "tag work" should grow faster than "commodity" services such as janitorial.

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- Marketdata estimates that there is 77 billion sq. ft. of commercial floor space in the U.S. and the cost to clean it averages about \$1.49 per sq. ft.—for a POTENTIAL market of \$95 billion.
- **Carpet Cleaning...** This is a mature \$3.6 billion market segment, with average annual revenues per service of \$303,000. Franchises dominate, with ServiceMaster Clean at \$448 million and Stanley Steemer at \$406 million. The real estate bust hurt this market, with revenues down 7.3% in 2009 and another 8.4% in 2010. 2011 was a little better, +3%.
- **Maid Services...** The “great recession” put a major dent in this market as consumers cut spending on non-essential services. Roughly a dozen franchises exist, with 4,230 units, but many more single-person operations compete as well—for a total of 15,000 or so. Marketdata estimates this segment’s value at \$3.2 bill. in 2011, forecast to grow to \$3.99 billion by 2016.
- **Competitors...** The top 10 franchise systems now operate 48,000+ units (up from 36,379 in 2006), and had combined systemwide sales of \$6.86 billion. Non-franchise firms ABM Industries and UGL UNICCO had combined sales of another \$3.23 billion in commercial cleaning business. Franchise total start-up costs vary widely, and royalty rates equal 7% of net sales.
- **Operating Ratios....** The “typical” contract cleaner grossed \$623,000/year in 2007 and \$643,000 in 2011. Pre-tax profit margins fell to 6.6% of net sales. Average annual receipts per employee were \$43,878 in 2007 for the industry overall, but as high as \$92,867 for “miscellaneous” services (not janitorial, pest control or carpet cleaning) and \$90,772 for pest control workers. The industry has 85,843 establishments with payrolls. The smallest “non-employer” services number 734,314 and account for \$12.7 billion in receipts.
- **Demand Indicators...** 90% of contract cleaners service office buildings. Unfortunately, the commercial real estate market may not recover for years. Commercial construction fell about 35% from 2008-2010. Office vacancy rates hit 16.6% in 2010 and are projected to fall only slightly by 2013. Healthcare construction is one of the few bright spots. Delays in federal appropriations are pushing contract awards for government business into 2012.

- **Major industry issues** include: a move to more certification and “green” cleaning, price compression, a shift to more science-based cleaning, longer sales cycles, high worker turnover, more day cleaning, the bundling of services by large accounts (total service concept), major geographic differences in the health of commercial and residential end-users by city/region, and the growing importance of niche and specialty markets.

Editor’s Note: The U.S. Commercial & Residential Cleaning Services Industry, published in June 2012, is an independently researched “off-the-shelf” study. The study is 227 pages in length and contains 152 detailed tables/charts. The study costs \$1,995 and is also sold by individual chapters at lower cost. A free table of contents is available by mail, email (marketdataent@yahoo.com) or fax. Contact: Marketdata Enterprises, 8903 Regents Park Drive, Suite 120, Tampa, FL 33647. Marketdata studies are also available online via commercial databases. John LaRosa is available for interviews. **A 36-page Overview of major findings is available to the general public for \$79.**

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