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Press Release

Recession-Resistant \$52 Billion Janitorial Services Industry Resumes Good Growth

Tampa FL, October 30, 2014... Marketdata Enterprises, Inc., a leading independent market research publisher of "off-the-shelf" studies about SERVICE industries since 1979, has released a 155-page market study entitled: **The U.S. Janitorial Services Industry**. The study estimates national receipts from 1980s-2018 forecasts, covers operating ratios, emerging trends, franchising, competitor profiles and more.

"This \$52 billion business, which encompasses basic janitorial services, is huge but very competitive, comprised of mainly small operators, including 44,000 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. The industry was hurt by the 2009 recession, but has recovered since 2011.", according to Research Director, John LaRosa:

Major Findings

- **Revenues...** Marketdata estimates that industry receipts grew nearly 12% in 2011-2012, and this growth continued into 2013. This year, we expect 5.8% gains to \$52.8 billion, and 4-5% yearly gains to \$63.6 billion by 2018. However, this is a mature industry and these gains may be short-lived.

- Marketdata estimates that there is 87 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 \$104 billion.
- The typical janitorial business has revenues of \$689,000 per year, employs 18 workers, and has payroll costs equal to 47% of sales. The industry employs nearly 1 million workers.
- There are 53,848 establishments with payrolls and another 596,249 without payrolls (sole proprietors) – making this a very crowded and competitive marketplace.
- Consolidation is accelerating, as an older generation of owners/managers retires and there is little incentive for young workers to enter the profession. Salaries are low and there is no clear career path. Many workers, including recent immigrants, consider this to be temporary work until they find something better. Most workers earn less than \$10/hr.
- **Competitors...** The top 10 franchise systems now operate 44,000+ units (up from 36,379 in 2006), and had combined systemwide sales of \$7.46 billion. Non-franchise firms ABM Industries and UGL UNICCO had combined sales of another \$3.3 billion in commercial cleaning business. Franchise total start-up costs vary widely, and royalty rates equal 7% of net sales.
- Commercial cleaning franchises are currently under fire, charged with churning of accounts, misrepresenting potential earnings, preying on minorities, lawsuits, and Attorneys General actions. This has soured the environment for many prospective buyers.
- **Operating Ratios....** The 50 largest firms in the business capture about 28% of revenues. 59% of janitorial services are corporations with annual receipts averaging \$858,000, while 31% are sole proprietorships that only generate \$147,000 in gross sales.
- **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, a shift to more science-based cleaning, very high worker turnover, the bundling of services by large accounts (total service concept), major geographic differences in the health of commercial end-users by city/region, and the growing importance of niche and specialty markets.

“Even though there is steady demand for janitorial services, this is an industry undergoing major change and turmoil. Yes, commercial office vacancies are down and construction is slowly coming back, but labor pressures and low wages are boiling beneath the surface, and customers are more demanding and cost-conscious than ever. Added to that, we have uncertainty over Obamacare and how that affects the hiring and training of workers.”, according to John LaRosa.

Editor's Note: The U.S. Janitorial Services Industry, published in October 2014, is an independently researched “off-the-shelf” study. The study is 155 pages in length and contains 88 detailed tables/charts. The study costs \$1,395 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 24-page Overview of major findings is available to the general public for \$99.**

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