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# Press Release

## **Recession Forces Contractors To Be More Creative, Diversify, Compete on Discounts and Rebates**

**Tampa FL, December 14, 2009...** Marketdata Enterprises, Inc., a leading independent market research publisher of "off-the-shelf" studies about SERVICE industries since 1979, has released the 8<sup>th</sup> edition, a 226-page report entitled: **The U.S. Commercial & Residential Cleaning Services Industry**. The study estimates national receipts from 1987-2013 Forecast, covers operating ratios, emerging trends, franchising, competitor profiles and more.

"This \$83 billion business, which encompasses janitorial services, pest control, window cleaning, carpet/floor cleaning, parking lot maintenance, security, HVAC/facilities management and more, is very competitive, comprised of 734,000+ mainly small operators, including 40,000 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 2008-2009, hurt by the recession, low-ball pricing and end-user shifts to in-house cleaning. The industry should begin growing again moderately in 2010 as the recovery strengthens.", according to Research Director, John LaRosa:

### Major Findings

- **Revenues...** Marketdata estimates that industry receipts grew 2.5% to \$83.3 billion in 2008. The 4<sup>th</sup> quarter, during the financial turmoil, wiped out most of the year's gains. 2009 is another story. We expect receipts to fall by the most significant decline since 1993—down 3.5% to \$80.4 billion. To 2013, we expect 5.2% yearly gains to \$97 billion. Specialty niches like disaster restoration, HVAC, security, air duct cleaning, etc. should grow faster than "commodity" services like janitorial services.

Continued....

- 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 \$1.33 per sq. ft.
- **Franchising...** The top 7 franchise systems operated 40,360 units in 2008 (up from 36,379 in 2006), and had combined sales of \$2.3 billion. Non-franchise firms ABM Industries and Unicco had combined sales of another \$3.3 billion in commercial cleaning business. Franchise total start-up costs now average \$55,000, and royalty rates equal 6.25% of net sales.
- **Operating Ratios....** The "typical" contract cleaner grossed \$623,000/yr in 2007. Net profit margins fell to 3.9% of net sales. Average annual receipts per employee were \$60,293 in 2007 overall, but as high as \$93,155 for "miscellaneous" services (not janitorial, pest control or carpet cleaning). The industry employs 1.1 million workers, via 80,453 establishments with payrolls. The smallest "non-employer" services number 734,000 and account for \$12.7 billion in receipts.
- **Demand Indicators...** 90% of contract cleaners service office buildings. Unfortunately, the commercial real estate market is in turmoil. Office construction is down 23% from 2008 levels and vacancy rates, at 16.5% nationally, are at 5-year highs. Banking and auto manufacturing were hit especially hard. Fortunately, healthcare and educational segments are holding up better.

Editor's Note: The U.S. Commercial & Residential Cleaning Services Industry, published in December 2009, is an independently researched "off-the-shelf" study. The study is 226 pages in length and contains 121 detailed tables/charts. It 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 32-page Overview of major findings is available to the general public for \$79.**

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