Contract Cleaning Services

Industry Study with Forecasts for 2016 & 2021

Study #2886 | May 2012 | $4900 | 286 pages
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Growth in the number of households and businesses will aid revenue gains for US firms, as will a diversification by companies to offer a wider range of services at competitive prices.

US revenues to rise 4.8% annually through 2016
Revenues for contract commercial and residential cleaning services are forecast to advance 4.8 percent annually to $68.3 billion in 2016. Growth will be driven by customers returning to more frequent cleaning schedules as the economy continues to improve, especially those who reduced their use of cleaning services in order to minimize expenses in response to the effects of the 2007-2009 recession. Gains will also be supported by faster growth in the number of households and a rebound in the number of business establishments. Furthermore, the recession motivated many cleaning companies to diversify and offer a wider range of services at more competitive prices, and the rising affordability and use of cleaning services will support revenue gains.

Outsourcing cleaning functions to cut costs in nonresidential markets
Nonresidential markets account for the vast majority of cleaning service revenues, making up almost 80 percent of the total in 2011. In addition, many companies that previously employed in-house cleaning staff reduced operating expenses by outsourcing cleaning services as the economy worsened. Demand for cleaning services in the nonresidential market is more inelastic than in the residential market due to the sizable existing base of nonresidential floor space and the need to keep this space clean. Due to the poor economic climate, nonresidential cleaning service revenue growth decelerated over the 2006-2011 period. Going forward, revenues will benefit from the continued trend of outsourcing cleaning functions to cut costs.

Interior building cleaning to remain largest service
Interior building cleaning services are the largest contributor to cleaning service revenues, accounting for nearly 75% of the total in 2011. Growth in revenues will derive from expansions in the number of business establishments and the number of households, both of which will create more opportunities for interior cleaning services. Outsourcing as a means of reducing operating costs will continue to aid the use of contract interior cleaning services in nonresidential markets.

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Individual Proprietorships -- Revenues earned by contract interior cleaning service firms organized as individual proprietorships are anticipated to grow from $4.3 billion in 2011 to $8.4 billion in 2016. Revenues will benefit primarily from low barriers to entry that characterize this segment of the industry. Establishments organized as individual proprietorships are not only more quickly able to realize gains for these smaller firms, but this will also contribute to greater price competition and keep revenue growth for smaller firms. Competition from larger corporations, which are often better positioned to deal with increasingly stringent laws and regulations and dominate the lucrative nonresidential market, will also restrain individual proprietorship revenue growth.

Because of the low capital requirements and minimal barriers to entry in the contract interior building cleaning industry, most cleaning establishments are single proprietorships, and many of these are self-employed individuals or partnerships where the business owners are the only employees. These smaller businesses are attractive to those interested in self-employment opportunities and allow individuals to operate the business part-time or full-time to meet their needs. Even those operations that do have additional employees tend to have a very small number of them. This trend is reflected in the relatively low number of employees per establishment (1.1) in 2011 and the relatively low annual revenues per establishment (approximately $15,300). In 2011, individual proprietorships accounted for 89 percent of interior building cleaning services establishments, but only 17 percent of revenues.

Cleaning services are well suited as part-time businesses because of the scheduling flexibility. A small business owner is free to schedule customers only for the days or hours that he or she is available to work. For instance, although daytime cleaning continues to grow in popularity, service firms that offer on-call service are also able to serve customers after regular office hours.

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**TABLE V-5**

<table>
<thead>
<tr>
<th>Item</th>
<th>2001</th>
<th>2006</th>
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<td>Population (millions)</td>
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<td>Nonresidential Floor Space (bil sq ft)</td>
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<td>Cleaning Services</td>
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**CHART VI-1**

**CONTRACT CLEANING SERVICES MARKET SHARE, 2011**

($54.1 billion)

- 59.5% Other
- 40.5% Market Leaders
Sample Profile, Table & Forecast

COMPANY PROFILES

CleanNet USA Incorporated
9861 Broken Land Parkway, Suite 208
Columbia, MD 21046
410-720-6444
http://www.cleannetusa.com

Annual Sales: $25 million (estimated)
Employment: 85 (estimated)
Key Services: contract commercial cleaning and janitorial services

CleanNet USA Incorporated is a franchiser of cleaning and janitorial services via a network of approximately 5,260 franchises throughout the U.S. The Company is privately held.

The Company participates in the US cleaning service industry through the provision of contract commercial cleaning and janitorial services through a network of CleanNet USA franchises. CleanNet USA franchises offer cleaning and janitorial services on daily, weekly, and monthly schedules. Specific services include carpet and floor care, window cleaning, restroom cleaning and sanitizing, trash removal, recycling programs, elevator cleaning, and emergency services. The Company also offers the CLEAN GREEN program, which utilizes environmentally friendly chemicals, equipment, and cleaning processes in cleaning and janitorial services. In addition, CleanNet USA provides a variety of support services, including computer monitoring programs, daily logbooks, damage reports, regular site inspections, telephone surveys, and a customer service hotline for reporting special situations and emergencies at the customer’s facility. Furthermore, the Company works with building managers and superintendents to develop customized cleaning programs. CleanNet USA was the fourth largest provider

TABLE IV-2
NONRESIDENTIAL CLEANING SERVICE REVENUES BY MARKET
(million dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>2001</th>
<th>2006</th>
<th>2011</th>
<th>2016</th>
<th>2021</th>
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<td>Nonresidential Building Stock</td>
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<td>Institutional Cleaning Services</td>
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<td>Office Cleaning Services</td>
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<td>Industrial Cleaning Services</td>
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<td>Other Nonresidential Cleaning Services</td>
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<td>% nonresidential</td>
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<td>Contract Cleaning Service Revenues</td>
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“Revenues for cleaning services in the institutional market are forecast to increase 4.9 percent per year to $18.2 billion in 2016, which represents the second fastest growth among the different markets. Gains will be driven primarily by the continued trend of outsourcing cleaning services in medical, educational, government, and other institutional market sectors in order to minimize operating costs and improve efficiency, although advances will be moderated to some degree by competition from ...”

--Section IV, pg. 130
### Contract Cleaning Services

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