

Under maintenance: A robust economy will lift demand for cleaning services from businesses

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IBISWorld Industry Report 56172 Janitorial Services in the US

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About this Industry

Industry Definition

Operators in this industry clean building interiors, the inner parts of transportation equipment (e.g. aircraft, railcars and ships) and windows. Industry activities include

contract cleaning services for factories, retail outlets, shopping centers and malls, business and government offices, trains and airlines and house-cleaning services.

Main Activities

The primary activities of this industry are

Providing interior building cleaning services

Cleaning homes

Providing window cleaning services

Providing maid services

Providing aircraft janitorial services

Washroom sanitization and cleaning

The major products and services in this industry are

Damage restoration cleaning

Exterior window cleaning

Floor care services

Hospitals and medical offices

Industrial cleaning

Residential cleaning

Standard commercial cleaning (except medical and industrial)

Other

Similar Industries

23832 Painters in the US

Operators in this industry commonly paint interior and exterior wall coverings for residential and commercial markets.

23899 Fence & Swimming Pool Construction in the US

Operators in this industry specialize in a range of construction work, including swimming pool and fence installation, waterproofing, dampness and fireproofing as well as sandblasting.

56173 Landscaping Services in the US

Operators in this industry provide outdoor care and maintenance services, which include the upkeep of lawns and gardens for residential, commercial and public properties.

56174 Carpet Cleaning in the US

Operators in this industry provide carpet and upholstery cleaning services.

About this Industry

Additional Resources

For additional information on this industry

www.cleanlink.com

CleanLink

www.issa.com

International Sanitary Supply Association (ISSA)

www.bls.gov

US Bureau of Labor Statistics

www.census.gov

US Census Bureau

IBISWorld writes over 1 000 US industry reports, which are updated up to four times a year. To see all reports, go to www.ibisworld.com

Industry at a Glance

Janitorial Services in 2019

Key Statistics Snapshot

Revenue
\$61.1bn

Annual Growth 14-19
1.9%

Annual Growth 19-24
1.1%

Profit
\$3.6bn

Wages
\$30.6bn

Businesses
835,691

Market Share
ABM Industries Inc.
5.3%

Revenue vs. employment growth



Number of businesses



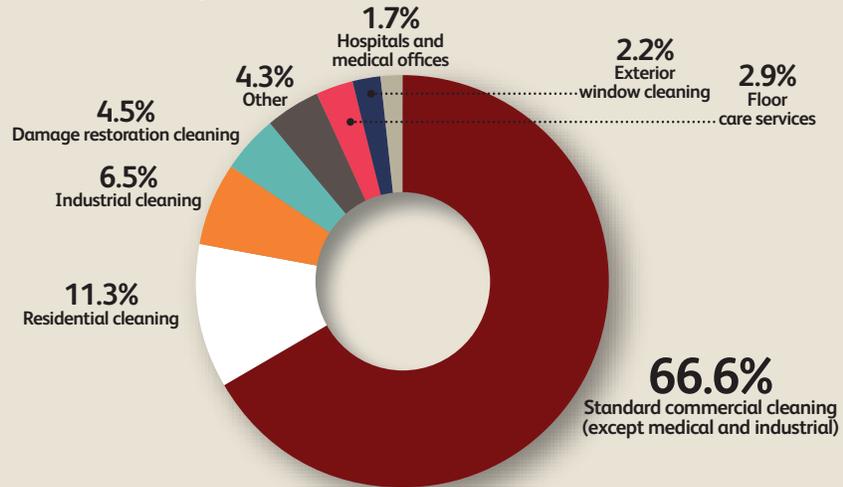
SOURCE: WWW.IBISWORLD.COM

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Key External Drivers
Number of businesses
Value of private nonresidential construction
Corporate profit
Households earning more than \$100,000
Homeownership rate
Office rental vacancy

p. 5

Products and services segmentation (2019)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Light
Revenue Volatility	Low	Technology Change	Low
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	None	Industry Globalization	Low
Concentration Level	Low	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 30

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

The Janitorial Services industry has grown over the five years to 2019. Demand for commercial cleaning services, the industry's primary product segment, increased over the past five years, as rising corporate profit led to an increase in business cleaning expenditure. Additionally, declining office vacancy rates, increasing nonresidential construction activity and growth in the number of businesses over the past five years broadened operators' potential client base, as more office and

is expected to increase at an annualized rate of 0.8% over the five years to 2019. While increasing demand for industry services has led to price growth for residential and commercial cleaning contracts during this period, rising competition, driven by growth in the number of janitorial services companies, has dampened industry profit margins.

Nevertheless, over the five years to 2024, industry revenue is projected to increase at an annualized rate of 1.1% to \$64.5 billion. Over the next five years, a robust economy will lift demand for cleaning services from businesses and households. The rate of nonresidential construction will also rise, further driving demand by increasing the potential client base. Moreover, the aging US population will serve as a source of growth, as third-party elderly care institutions and households owned by seniors become more prevalent. Lastly, large commercial clients are expected to increasingly seek to purchase cleaning services as part of bundled service offerings that include security, catering and other building-related activities. To meet these needs, many operators will acquire other companies or forge partnerships with industry players that offer similar services.

Many operators will acquire other companies or forge partnerships with industry players that offer similar services

retail space naturally increased demand for janitorial services. Consequently, industry revenue is expected to increase at an annualized rate of 1.9% to reach \$61.1 billion over the five years to 2019, which includes an anticipated 2.0% growth in 2019 alone.

Furthermore, strong revenue expansion has encouraged many sole proprietors and small-business owners to enter this industry because it has relatively few barriers to entry. As a result, the number of industry operators

Key External Drivers

Number of businesses

The total number of businesses in the United States is positively correlated with demand for janitorial services. Growth in the number of business operators creates a larger potential client base for industry operators. Therefore, when the number of US businesses is strongly increasing, demand for cleaning services generally rises. The number of businesses is expected to grow in 2019, representing a potential opportunity for the industry.

Value of private nonresidential construction

Private investment in nonresidential structures includes new construction and renovations associated with nonresidential buildings, including commercial, industrial, healthcare, educational and religious buildings. Nonresidential construction is a major market for industry services and therefore serves as a leading indicator of demand. As the number of buildings increase, there are more locations for

Industry Performance

Key External Drivers continued

janitors to clean, resulting in higher demand for industry services. The value of private nonresidential construction is expected to increase in 2019.

Corporate profit

Businesses often expand with growth in corporate profit, leading to greater demand for janitorial services. In contrast, shrinking corporate profit reduces demand for janitorial services, since businesses close facilities and may decrease the frequency of outsourced cleaning to reduce costs. Corporate profit is expected to increase in 2019.

Households earning more than \$100,000

Households in the highest income brackets have the greatest propensity to purchase housekeeping services, due to their greater amount of disposable income and larger estates. Consequently, expenditures by households in this income bracket are positively correlated with higher demand for industry

services. The number of households earning more than \$100,000 is expected to increase in 2019.

Homeownership rate

Homeownership rates are correlated with demand for janitorial services, as homeowners are more likely than renters to require industry services. When homeownership rate is low, there is less demand for janitorial cleaning services. The rate of homeownership is expected to grow only slightly in 2019.

Office rental vacancy

Office rental vacancy rates are inversely correlated with demand for janitorial services. When the office vacancy rate is low, there is greater demand for janitorial cleaning services. Over the past five years, vacancy rates began to fall as a result of improving economic conditions. Office rental vacancy is expected to increase in 2019, posing a potential threat to the industry.



Industry Performance

Current Performance

Over the five years to 2019, revenue for the Janitorial Services industry is expected to increase at an annualized rate of 1.9% to \$61.1 billion, which includes 2.0% projected growth in 2019 alone. This industry derives the majority of its revenue from the commercial market, as outsourced cleaning services are primarily used in corporate offices and retail outlets. As a result, industry growth over the past five years has been closely linked to the expanding number of US businesses. Over the five years to 2019, the number of US businesses is expected to increase at an annualized rate of 1.3%, driving revenue growth for the industry.

Furthermore, office vacancy rates declined in nearly each of the past five years, as rising corporate profit margins and greater business activity bolstered demand for more office spaces. Janitorial services companies commonly provide



nightly or weekly cleaning, dusting, vacuuming and other cleaning services for workplaces. Consequently, commercial cleaning services, according to IBISWorld estimates, account for over 65.0% of total industry revenue in 2019.

Nonresidential construction

Rising business formation and declines in office rental vacancy rates have helped boost demand for industry services from 2014 onward. In addition, greater investment in nonresidential buildings, which includes commercial, industrial, healthcare and educational structures, furthered demand for janitorial services. For instance, the

value of nonresidential construction is expected to increase an annualized 0.3% over the five years to 2019. This growth represents an increase in building space that operators could potentially clean, as well as heightened investment in remodeling activities, which leads to greater spending on upkeep, such as cleaning.

Upper-income households boosts demand

Rising disposable income among households earning more than \$100,000 has also bolstered demand from the residential sector; the highest income brackets are the most likely to purchase cleaning services due to their greater disposable incomes and larger homes. According to data from the US Census Bureau and IBISWorld estimates, residential cleaning accounts for 11.3% of industry revenue. Although the residential market accounts for a smaller

share of business when compared with the commercial market, price growth for residential cleaning projects has accelerated at a faster rate than that of commercial cleaning contracts.

According to the Producer Price Index and IBISWorld estimates, price growth for residential cleaning contracts is expected to rise an annualized 1.7% over the five years to 2019. Comparatively, prices for commercial contracts are expected to increase an annualized 1.2%.

Industry Performance

Structural shifts

The Janitorial Services industry is highly fragmented. Over the past five years, the number of industry operators is expected to increase at an annualized rate of 0.8% to reach 835,691 enterprises. Since the industry exhibits low barriers to entry and new enterprises have minimal start-up costs, a significant portion of the industry comprises nonemployers functioning as individual proprietorships.

The influx of employer and nonemployer industry operators has meant that competition remained strong over the five years to 2019. In addition to price-based competition, companies attempt to differentiate operations or compete on the basis of reputation for quality and service. For example, industry major player ABM Industries Inc. (ABM) has developed into an integrated provider of facility solutions and offers landscaping, security, electrical, engineering and other services in addition to janitorial services. This diversification enables large industry operators to establish strategic alliances with commercial property owners and managers. Other operators have expanded into service industries with more stringent cleaning requirements,

Due to an increase in demand for janitorial services, industry profit has remained relatively stable

such as those related to healthcare, pharmaceuticals, electronic equipment and food product manufacturing in an effort to bolster company revenue and profit margins.

Largely due to an increase in demand for janitorial services, industry profit has remained relatively stable over the past five years. Profit margins, measured as earnings before interest and taxes, account for an estimated 5.9% of revenue in 2019, which is slightly higher than 5.6% in 2014, as increased demand has resulted in revenue growing faster than costs. Industry wage costs increased at an annualized rate of 2.8% to \$30.6 billion over the five years to 2019, as janitorial services companies added labor and increased the working hours of existing employees in response to higher demand for cleaning services.

Green services

Over the past five years, companies in the industry have also attempted to differentiate themselves from their competitors by focusing on eco-friendly cleaning solutions. Industry operators commonly offer green cleaning services, which include the use of high-filtration vacuums; microfibers for more efficient dirt and particle capture; course sprayer nozzles to help reduce atomized chemical

releases as well as the use of certified, environmentally friendly cleaning products. For example, ABM has enhanced its green cleaning programs over the past five years, and its Green Care program currently uses eco-friendly products and methods. ABM expanded its service and product offerings as a result of greater consumer interest in the program.

Industry Performance

Industry Outlook

The Janitorial Services industry will grow over the five years to 2024 due to the continued expansion and growth of the US economy. Consequently, operators will benefit from the increase in nonresidential construction activity. Moreover, other US industries are expected to outsource cleaning activities to janitorial and cleaning service specialists. In particular, education-, healthcare- and medical-related industries, which outsource the majority of their cleaning requirements, will provide sustained growth for the industry. An aging US population and greater demand for healthcare services will bolster demand for cleaning services for medical and surgical hospitals, urgent care clinics, diagnostic labs and research facilities. As a result of these improving conditions, industry revenue is forecast to increase at an annualized rate of 1.1% over the next five years to \$64.5 billion in 2024.

Over the next five years, changes in the residential and nonresidential markets will positively affect industry revenue. Residential and nonresidential construction activity will accelerate, resulting in new cleaning contracts and more robust revenue growth. Demand for domestic cleaning services is also expected to rise, as household disposable income

Changes in the residential and nonresidential markets will positively affect industry revenue

continues to grow. Disposable income levels affect the industry because the main consumers of residential cleaning services are upper income bracket households. The percentage of households with annual incomes exceeding \$100,000 is expected to slightly increase an annualized 0.8%, which will result in greater demand for residential cleaning services.

Over the five years to 2024, the number of businesses in the United States is also expected to rise at an annualized rate of 0.7% to an estimated 8.3 million companies. Similarly, corporate profit is expected to continue to rise over the five years to 2024. As favorable economic conditions help sustain business growth and corporate profit, demand for industry services are expected to continue to rise. Moreover, a greater number of businesses will expand the potential client base for janitorial services operators, thereby boosting industry revenue.

Industry landscape

Due to the positive influences on revenue growth, the number of operators in the industry is expected to increase at an annualized rate of 1.0% to 880,103 enterprises over the five years to 2024. Correspondingly, industry employment and wages are also expected to expand due to the labor-intensive nature of janitorial work. Over the next five years,

industry wages are forecast to increase at an annualized rate of 1.1% to \$32.4 billion. However, these favorable operating conditions will lead to an influx of nonemployers. This increase in industry fragmentation and the relatively undifferentiated nature of cleaning and janitorial services will lead to increasing price pressures over the next five years.

Tempered profit growth

Consequently, rising wage costs and heightened competition will contribute to constrained profit growth over the five years to 2024. As a result, industry

operators will increasingly focus on providing eco-friendly cleaning services as a means of setting themselves apart from their competitors. Procuring

Industry Performance

Tempered profit growth continued

eco-friendly products, such as high-filtration vacuums and microfiber materials, will lead to a slight rise in purchase costs, which may enable operators to increase prices, potentially boosting profit margins. Overall, industry profit margins are expected to stagnate at 5.9%.

To expand services regionally and nationally, major operators will continue to consolidate with other cleaning contract operators, building services and maintenance companies. Consolidating will enable industry operators to provide

bundled services to clients, which include security, parking and building maintenance as well as landscaping services. The bundling of property management services has the potential to boost profit margins, as larger industry operators can benefit from lower per-unit purchasing and insurance costs due to economies of scale. However, the Janitorial Services industry will remain highly price competitive, especially for smaller industry operators, which comprise a significant portion of industry enterprises.

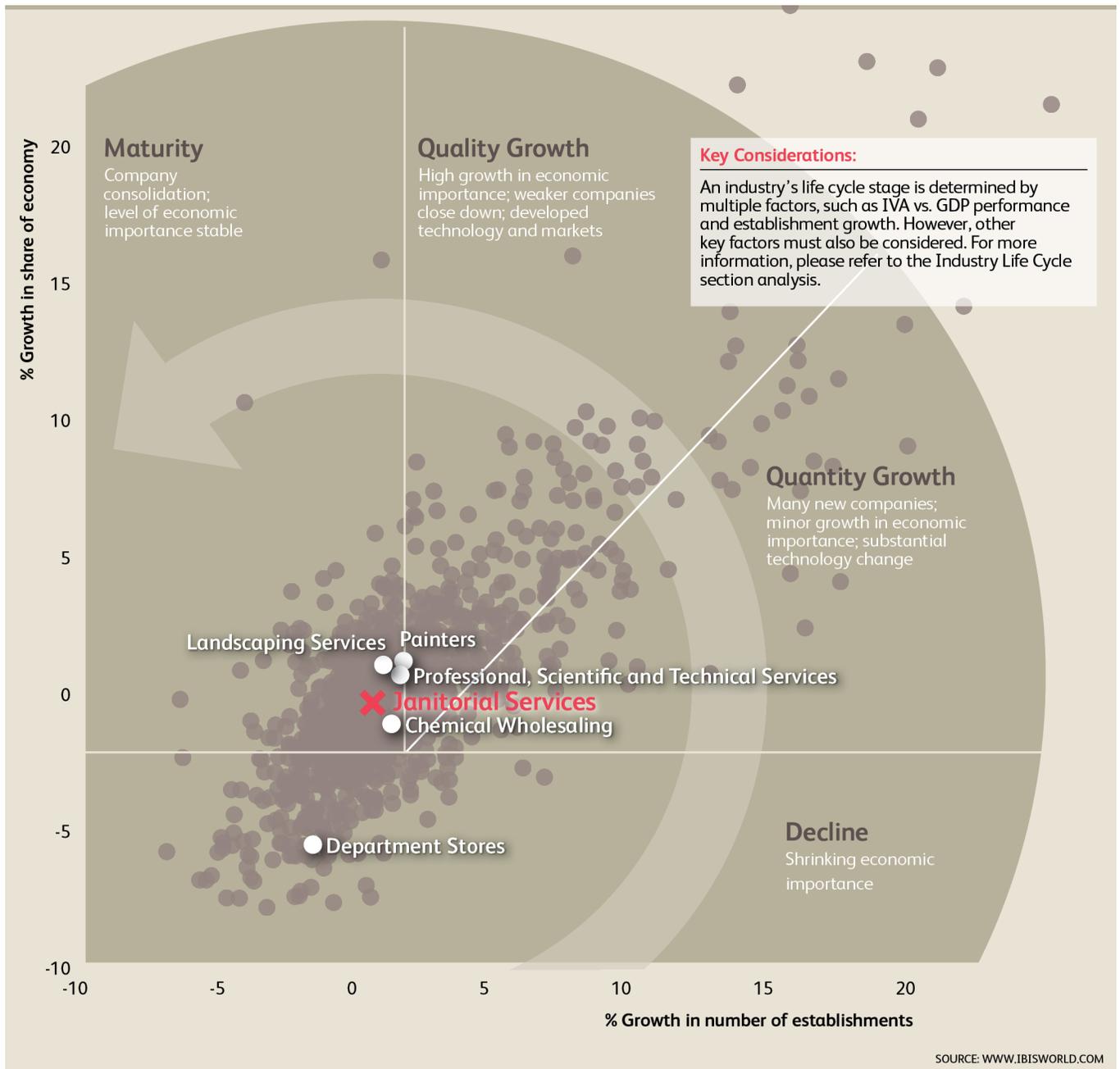
Industry Performance

Life Cycle Stage

Industry value added is expected to grow in line with GDP

Improvements in the general economy will drive future growth

Companies are increasingly bundling cleaning services, but it will not dramatically increase revenue



SOURCE: WWW.IBISWORLD.COM

Industry Performance

Industry Life Cycle

This industry is **Mature**

The Janitorial Services industry is in the mature phase of its industry life cycle. Over the 10 years to 2024, industry value added is forecast to increase at an annualized rate of 1.9%, and this component measures the industry's contribution to GDP. This is in line with the projected annualized GDP growth of 2.2% during the same period. Typically, an industry is considered to be in the mature phase of its life cycle when industry growth mirrors or is below GDP during the 10-year period. Furthermore, merger and acquisition activity has increased over the past five years, which is another indicator of the industry's mature life cycle stage. For instance, ABM Industries Inc., the industry's largest player, acquired GCA Services Group, a janitorial services provider, in 2017.

This industry is cyclical in nature and fluctuates along with general economic activity due to the industry's reliance on businesses. During periods of strong economic growth, new businesses emerge, companies expand and construction activity increases, all of which increases demand for cleaning services. In contrast,

demand for cleaning services falters throughout economic downturns. As the number of businesses declines, remaining companies cut back on operational costs by consolidating operations and decreasing office or retail space.

IBISWorld anticipates that the industry will continue to benefit from rising general economic conditions and an increase in the outsourcing of cleaning services by municipalities, including schools and healthcare buildings. Additionally, major operators are increasingly bundling their cleaning services into comprehensive facilities management contracts that may include security, catering and maintenance. Industry franchising is also increasing consumers' confidence in operators and their cleaning standards. Both of these trends are expected to support growth but are not forecast to push the industry out of its mature cycle. Additionally, many franchised and large operators are continuing to expand internationally in search of additional revenue and profit growth opportunities.

Products & Markets

Supply Chain | Products and Services | Demand Determinants
 Major Markets | International Trade | Business Locations

Supply Chain

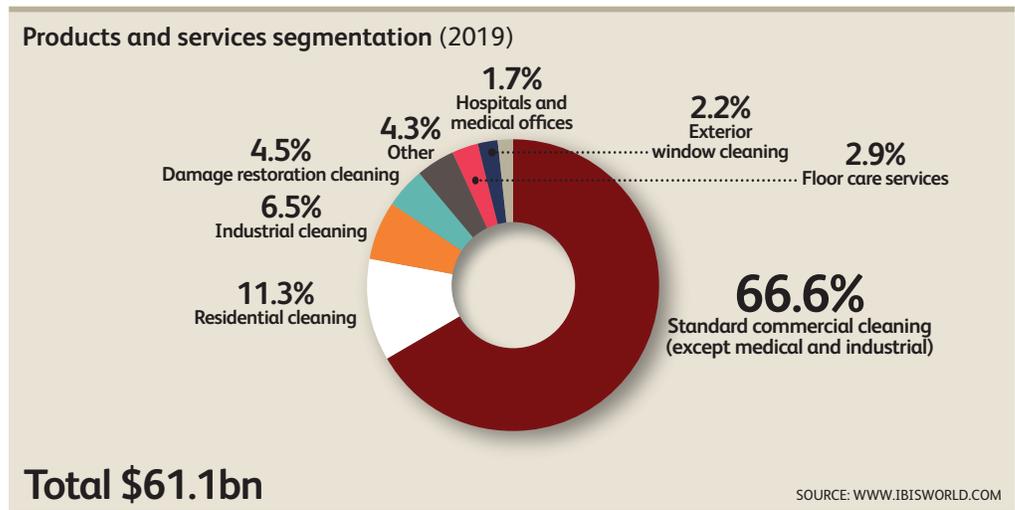
KEY BUYING INDUSTRIES

45211	Department Stores in the US Janitorial services companies are typically used for cleaning shopping centers and malls.
54	Professional, Scientific and Technical Services in the US This industry is a major purchaser of cleaning and other bundled services for offices and facilities.
61	Educational Services in the US Schools, colleges and universities are a growing source of demand for janitorial services.
62	Healthcare and Social Assistance in the US Hospitals and other medical and health clinics are another growing market for janitorial service companies.
71	Arts, Entertainment and Recreation in the US Theaters, sport stadiums, museums and other recreational centers are significant purchasers of cleaning contracts and other bundled services.
92	Public Administration in the US Public sector clients are a significant source of demand for cleaning services provided by this industry.
99	Consumers in the US Higher income bracket households purchase residential cleaning services provided by this industry.

KEY SELLING INDUSTRIES

42469	Chemical Wholesaling in the US Chemical wholesalers supply cleaning products to this industry.
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Products and Services



Standard commercial cleaning
 The Janitorial Services industry provides a wide variety of cleaning and janitorial services, ranging from simple carpet-

cleaning activities to full-scale industrial cleaning services. Commercial cleaning is the most common service provided by the industry. Commercial cleaning services

Products & Markets

Products and Services continued

can be further separated into standard janitorial services, which are done nightly or weekly and major janitorial activities, which are conducted monthly, quarterly or even yearly. Standard services include cleaning bathrooms, floors, kitchens, desks, tables and floors. Standard services may also include dusting, watering plants and other miscellaneous activities. In contrast, other commercial cleaning services include stripping and waxing floors and carpet cleanings, as well as exterior window cleaning. IBISWorld estimates that exterior window cleaning accounts for 2.2% of industry revenue in 2019. These services often take days to complete and require special equipment or machinery. Combined standard commercial cleaning, excluding medical and industrial markets, is expected to account for 66.6% of industry revenue in 2019. Whereas, hospitals and medical offices and industrial cleaning account for 1.7% and 6.5% of industry revenue, respectively.

Most commercial cleaners operate under one-year contracts with clients, with extremely short contract termination periods. This practice also encourages price-based competition, which can potentially pressure industry revenue and margins. However, growth in the commercial cleaning segment has occurred over the past five years due to the outsourcing of cleaning services and investment in new buildings, particularly in the educational, healthcare, prisons, food processing and pharmaceuticals manufacturing industries.

Residential cleaning

Residential cleaning services will account for 11.3% of the industry's revenue in 2019. This segment's share of revenue has remained fairly stable over the past

five years. Nevertheless, rising employment and disposable incomes over the past several years, boosted demand for janitorial services and led to an increase in the price of residential cleaning contracts. Furthermore, the number of households earning more than \$100,000 increased an annualized 3.0% over the five years to 2019, further increasing the ability for operators to charge more for industry services.

Damage restoration cleaning

The industry also generates a small portion of revenue from added services such as damage restoration cleaning. Damage restoration services generally encompass water extraction dehumidification, mold and mildew remediation, debris removal and site reconstruction, depending on the cause. These services are generally provided following a fire, flood or other natural or man-made disaster. In 2019, damage restoration and cleaning are expected to account for 4.5% of industry revenue.

Other

Industry operators also provide specialty cleaning services such as exterior window cleaning, deep carpet cleanings as well as the stripping and waxing of floors. Furthermore, major operators are increasingly offering clients total bundled service contracts, which include maintenance, security and other cleaning services. These other cleaning services can be provided by one company or through strategic alliances between a company and its partners. Currently, some franchised operators are seeking to sign on national, multi-site clients, with these contracts being serviced by individual franchised group members at the local level.

Products & Markets

Demand Determinants

Demand for the Janitorial Services industry is largely derived from the commercial market, since cleaning services are required for offices, commercial and industrial buildings, airports and institutions. Consequently, industry revenue is sensitive to changes in vacancy rates for offices and other commercial and industrial properties, which are caused by macroeconomic trends, including overall employment and business formation rates.

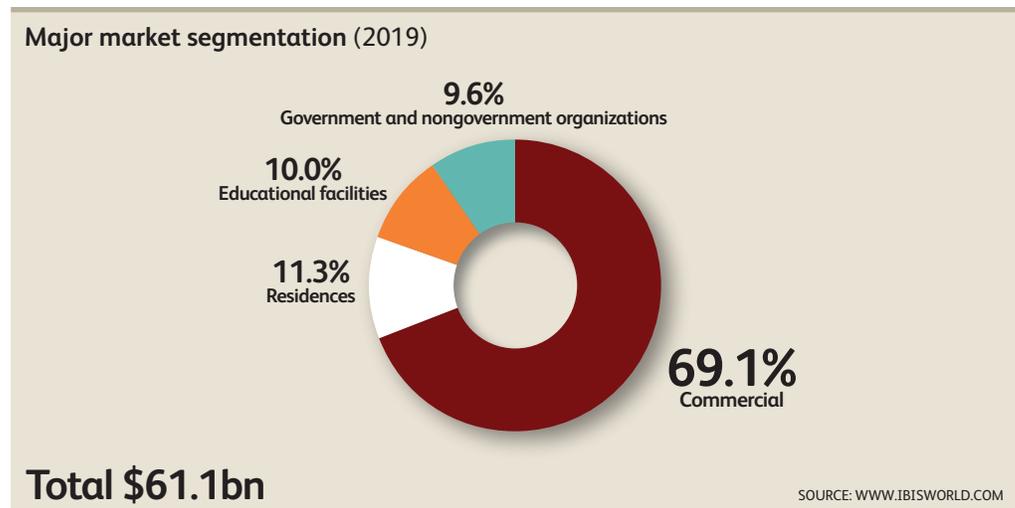
Residential properties account for 11.3% of demand, a small component in comparison with the commercial market. Demand for residential cleaning services increased over the past five years due to the growing number of

dual-income and time-strapped households, as well as the number of households owned by the elderly.

This industry also generates 4.5% of total revenue from damage restoration services. Therefore, severe storms, floods or other natural or man-made disasters could lead to a boost in demand for janitorial services such as mold remediation and water damage repair.

Price-based competition has become more prevalent over the past five years, which reduces the willingness of clients to pay full rates for contracted janitorial services. Many clients are seeking a reduction in prices, but with only minimal changes to cleaning service standards and frequency.

Major Markets



The Janitorial Services industry is segmented into commercial and residential cleaning services and information is sourced from the Bureau of Labor Statistics, the US Census Bureau and IBISWorld estimates. The commercial sector mainly comprises office buildings, municipal structures and retail spaces, while the residential sector includes single-family homes, apartments and condos.

Commercial

The majority of revenue is derived from commercial centers, such as retail. These are the mainstays of the industry, although they remain very price competitive. Of these markets, commercial buildings are the largest source of demand and are estimated to generate 69.1% of industry revenue in 2019. Revenue from the office-cleaning market increased from 2014 onward, as growth in the total number of

Products & Markets

Major Markets continued

US businesses resulted in increased demand for office cleaning services. Janitorial services are commonly provided to these owners or lessors of commercial storefronts.

Education

Educational facilities represent growth areas for the industry. The private educational segment is expected to account for 10.0% of industry revenue, includes janitorial services that are used for private colleges, universities, vocational rehabilitation and professional schools.

Residential

In contrast to the commercial sector, nonemployers and other very small operators often offer services directed toward the domestic and residential cleaning segment. The main client groups in this segment are higher- and dual-income households with little time for

cleaning activities as well as the elderly that suffer from physical constraints. In addition to interior cleaning services, janitorial services companies offer pest extermination services, exterior building cleaning, window cleaning and chimney and drain maintenance services. In 2019, the residential market is expected to account for 11.3% of industry revenue.

Government and not-for-profit organizations

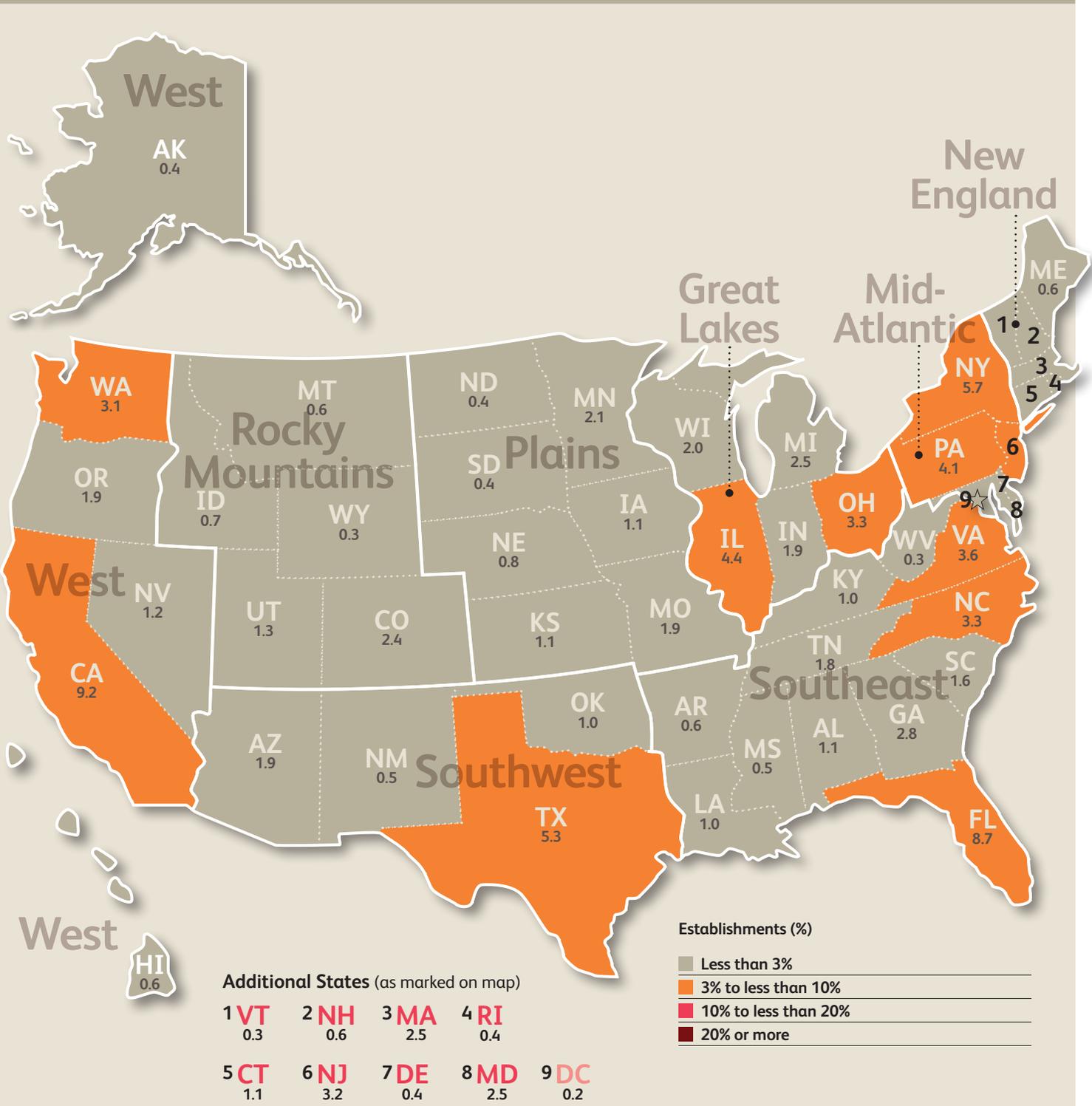
The government and not-for-profit markets are significant sources of revenue. Federal, state and municipal government buyers outsource cleaning for public buildings, facilities and other institutions, such as prisons. Over the past five years, stable demand from government markets has slightly contributed to the industry's overall growth. In 2019, the government and not-for-profit organization markets are expected to account for 9.6% of total industry revenue.

International Trade

The industry primarily operates in the domestic market, given that it is service-based. As a result, there is no international trade recorded within this industry.

Products & Markets

Business Locations 2019



SOURCE: WWW.IBISWORLD.COM

Products & Markets

Business Locations

The regions with the greatest concentration of janitorial services companies include the Southeast followed by the West, the Mid-Atlantic and the Great Lakes regions. Distribution of industry companies is based mainly on business and population density levels.

Southeast

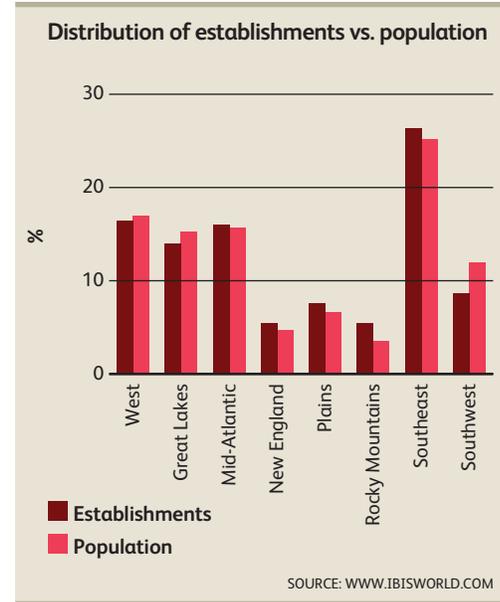
The Southeast has the greatest share of industry establishments, estimated at 26.4% of the total in 2019. Within the region, Florida is one of the most common destination for janitorial service companies, as the state contains an estimated 8.7% of janitorial service locations. Population shifts to the Southeast over the past five years have resulted in a greater concentration of industry establishments in the region.

West

In 2019, the West is expected to account for 16.3% of industry establishments. The region's dense population and business concentration contribute to its high share of establishments and revenue. The West is dominated by California, which holds an estimated 9.2% of companies, the highest percentage of industry establishments in the country. Financial and tech companies are a strong presence in the West and therefore need large cleaning staffs to maintain property locations.

Mid-Atlantic and Great Lakes

The Mid-Atlantic, the third-most populated region in the United States, has the third-highest share of industry establishments, with an estimated 16.0% share of the nation's total. A high portion of these establishments are located in New York, due to its strong commercial business presence and high population density. In fact, New York accounts for 5.7% of industry establishments.



Furthermore, federal government clients provide a strong source of demand in Washington DC. Lastly, the Great Lakes houses 14.0% of the industry's establishments, which is the fourth-largest share of operators. Illinois, with its strong financial and commercial sector, has the highest share of establishments in the region, with 4.4% of the US total.

Other

Among the remaining regions in the United States, namely the Southwest, Plains (7.6%), New England (5.5%) and Rocky Mountains (5.4%), the Southwest has the highest percentage of industry establishments, at 8.6% of the US total. Although lower population levels and, therefore, smaller commercial business markets, makes these regions a less attractive destination for industry operators. Within the Southwest, Texas accounts for a majority of the regions industry establishments with an estimated 5.3% of total industry establishments in 2019.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **Low**

The Janitorial Services industry is characterized by a low level of market share concentration, with the top four largest operators expected to account for less than 10.0% of industry revenue in 2019. Despite this low level of concentration, the top three major operators have been gradually increasing their market share. Overall, the industry is relatively fragmented due to the low barriers to entry and start-up costs. Industry operators tend

to specialized in specific regions of downstream markets. According to the US Census and IBISWorld estimates, 58.2% of industry revenue is derived from sole proprietorships or nonemploying businesses. Over the five years to 2024, the industry is expected to continue to have a low level of concentration as more companies are expected to enter the market as demand for janitorial services continues to rise.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Being part of a franchised chain

Being part of a franchise chain may assist with obtaining access to larger national and regional contracts.

Access to niche markets

Over time, operators must try to move away from a client base consisting only of price-sensitive clients and contracts.

Use of a high volume/low margin strategy

Providers of janitorial services must be able to operate in an environment with high volume and low net margins as

fierce competition among players keeps service prices low.

Ability to carry out credit checks on clients

To contain debt levels, operators must be able to perform credit checks on clients.

Ability to alter mix of inputs in line with cost

Due to price competition within the industry, the ability to alter labor, material and cleaning inputs in line with the contract price and agreed quality standards is important for success.

Cost Structure Benchmarks

The Janitorial Services industry's cost structure is based on employer operators because this segment generates the majority of the industry's revenue. Employers and nonemployers have similar operational costs (e.g. purchases, licensing fees and communication costs), but differ with respect to wages, fringe benefits and subcontractor payments.

Profit

Operating profit, measured as earnings before interest and taxes, is expected to total 5.9% of industry revenue in 2019, up from 5.6% in 2014. Increased demand for janitorial services resulted in higher

levels of industry revenue, which helped strengthen industry profit margins. In addition, costs during the period remained relatively stable further bolstering margins.

However, the average profit rate also conceals discrepancies among operators. For instance, IBISWorld estimates that the largest industry operator, ABM Industries Inc.'s operating profit is expected to account for 2.2% of revenue in 2019, less than the industry at large. Profit margins tend to be inversely proportional to the size of contracts, since large-scale contracts are often competitively priced as compared with

Competitive Landscape

Cost Structure Benchmarks continued

stand-alone agreements and, therefore, generate lower margins for janitorial service companies.

Wages

Wages and associated employee benefits are the industry’s largest expense accounting for 50.2% in 2019.

Maintaining control over these costs and key inputs is important since industry operators primarily compete based on the price of contracts, but clients still require high-quality results.

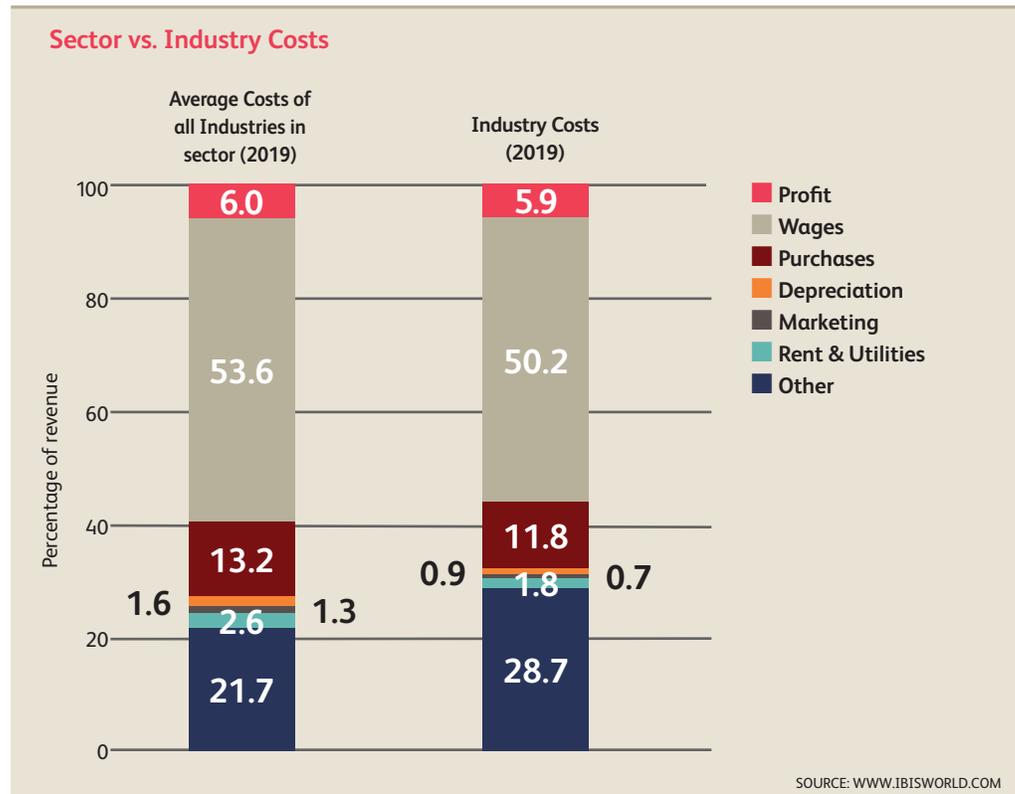
Labor costs as a share of revenue have increased marginally over the past five years, as janitorial service companies continued to hire new employees and increase wages at a faster pace when compared with growing industry revenue. However, labor costs are expected to accelerate over the five years to 2024, as wages are anticipated to rise as industry demand continues to improve.

Purchases

Purchases account for an estimated 11.8% of industry revenue in 2019. These costs are largely related to cleaning supplies used in service requests. Furthermore, gasoline for transportation purposes is also a key purchase for industry operators.

Depreciation, rent and other costs

Rent and utilities comprise 1.0% and 0.8%, respectively, of industry revenue in 2019 as most services are done on-site. These costs have remained relatively stable over the five years to 2019. Similarly, depreciation accounts for 3.6% of revenue, as it did at the beginning of the period. Depreciative capital costs normally pertain to transportation vehicles and cleaning equipment. As industry competition intensified during the period, industry operators have invested in marketing, which is expected to account for 1.0% of industry revenue



Competitive Landscape

Cost Structure Benchmarks continued

in 2018, to help differentiate themselves from their competitors.

Other operating expenses account for 29.5% of industry revenue, with the majority of costs associated with communication charges, licensing fees,

interest and bank charges, outsourced legal and accounting fees as well as administration expenses. Similar to depreciation, rent and utilities, this segment's share of revenue has remained relatively stable over the past five years.

Basis of Competition

Level & Trend

Competition in this industry is **High** and the trend is **Steady**

Internal competition

Competition within the Janitorial Services industry is high but steady, since many companies operate with a small share of the market. As a result of this, price-based competition is particularly intense within the Janitorial Services industry as there are an estimated 835,691 enterprises competing in the industry in 2019. Furthermore, industry operators also compete based on the quality of the service provided.

Commercial cleaning contracts are typically for one-year and can be terminated by the operator or client with 30 to 90 days of notice. Companies typically bid on contracts, a factor that makes price-based competition important for this industry, particularly for larger commercial contracts, which are subject to a more extensive bidding process. However, there are several contracts in some areas of the healthcare, food processing, pharmaceutical manufacturing and electronics industries that require higher guaranteed cleaning standards, (e.g. the cleaning of areas where dust-free environments are necessary). In these cases, higher cleaning fees can usually be negotiated.

Contracts are typically structured as fixed price agreements, cost plus agreements or tag work. Under fixed price agreements, clients are charged standard monthly fees depending on the square footage of the structure. Under cost-plus arrangements, clients reimburse industry operators for wages,

benefits, payroll taxes, insurance charges and other expenses as well as an agreed upon profit margin. However, janitorial service companies may also charge additional fees for "tag" work or extra service work for supplemental services outside of the standard contract terms. These extra services typically generate higher margins for companies and often include services such as cleaning following tenant moves, snow removal, extermination services and other specialty services.

Industry operators are also increasingly competing on the basis of environmentally friendly cleaning products. These include cleaning products that have a Green Seal label, which confirms that they adhere to requirements set forth by the Environmental Protection Agency (EPA).

External competition

External competition is related to persons and companies that perform their own cleaning or hire their own employees to perform these tasks, including on a cash-only basis. During period of economic downturn, external competition from in-house cleaning services tends to increase, as companies seek to decrease operating expenses. However, over the past five years, as corporate profit margins increased, companies were able to spend more on outsourced cleaning services provided by the Janitorial Services industry.

Competitive Landscape

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Low and Steady**

The Janitorial Services industry has few barriers to entry, due to a low level of market share concentration and low capital investment requirements. The top four players in the industry account for less than 10.0% of the available market in 2019 and, therefore, exert little market power. Start-up costs vary depending on the scale of operations. New businesses may need to secure a warehouse or operational facility as well as vehicles. Additionally, new entrants will need to purchase supplies such as vacuums, mops, cleaning agents and other specialized cleaning equipment.

There is also a low level of training required for industry employees, thus labor is not expected to be a significant barrier to entry. Typical wages for industry employees average an estimated \$16,619 in 2019. There are no licenses or regulations exclusive to this industry, apart from meeting all general state occupational health and safety regulations, including the use and safe storage of all cleaning chemicals and compounds.

Once the new business enters the industry, barriers to success are much

Barriers to Entry checklist

Competition	High
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Low
Regulation and Policy	Light
Industry Assistance	None

SOURCE: WWW.IBISWORLD.COM

higher. Employee turnover is particularly high in the Janitorial Services industry, which can be a slight barrier to success. Furthermore, considering the high level of competition, new operators will have to devote substantial time to secure new customers. A key success factor for new businesses is the ability to take advantage of location benefits. If there are few operators in particular regions, potential operators can take advantage of the decreased level of competition. Furthermore, companies can also enter the industry as franchisees to take advantage of established brand exposure from existing companies.

Industry Globalization

Level & Trend
Globalization in this industry is **Low and the trend is Increasing**

The industry has a low level of globalization, given its service-oriented nature. The majority of companies provide cleaning services within a limited geographic scope. However, the two largest franchised operators, namely ServiceMaster and Jani-King, provide international services. Furthermore, ABM Industries provides janitorial services in Canada, Puerto Rico and the

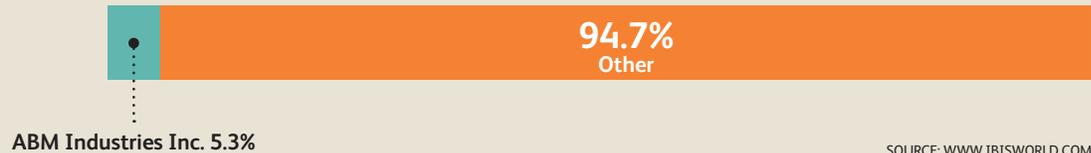
United States. The expansion in franchising systems is the main avenue for international expansion by operators. Additional strategic partnership agreements with existing major cleaning companies across densely populated countries, such as China and India are expected to emerge over the five years to 2024, as US operators seek to gain a foothold in these rapidly expanding economies.

Major Companies

ABM Industries Inc. | Other Companies

Major Players

(Market Share)



SOURCE: WWW.IBISWORLD.COM

Player Performance

ABM Industries Inc.
Market Share: 5.3 %

ABM Industries Inc. (ABM) is a leading facility services company with about 140,000 global employees and expected revenue of more than \$6.4 billion in 2018. The majority of the company's revenue is generated from its ABM janitorial services. ABM offers additional services not directly associated with industry activities, but these are often bundled together as a total solutions package. The solutions the company offers include parking, facility solutions and building solutions, such as electrical and technical services.

Relevant to this industry, ABM's janitorial services include floor cleaning and finishing, window washing, furniture polishing, carpet cleaning, dusting and other building-cleaning services. ABM provides contract and on-demand janitorial services to a variety of commercial, institutional and industrial

property management companies, including office buildings, retail stores, factories, warehouses, health facilities, stadiums and government buildings.

Most contracts are structured as fixed-price, cost-plus or tag work (extra service). However, the majority of the company's contracts are fixed-price agreements, in which clients pay fixed fees each month for the duration of the contract term. With cost-plus contracts, clients agree to pay all labor and overhead in addition to a contribution toward profit. Tag work involves supplemental services outside of typical services, such as construction clean-up or cleaning services between tenants.

The company offers an extensive selection of services, such as green cleaning, which includes cleaning, recycling and energy-efficiency services. Part of these environmentally friendly

ABM Industries Inc. (US industry-specific segment) - financial performance*

Year**	Revenue	(% change)	Operating Income	(% change)
	(\$ million)		(\$ million)	
2014-15	2,510.8	N/C	62.0	N/C
2015-16	2,576.9	2.6	38.7	-37.6
2016-17	2,607.3	1.2	27.7	-28.4
2017-18	2,758.8	5.8	51.5	85.9
2018-19	3,227.2	17.0	69.4	34.8
2019-20	3,267.1	1.2	70.2	1.2

*Estimates; **Year-end October

SOURCE: ANNUAL REPORT AND IBISWORLD

Major Companies

Player Performance continued

initiatives include the use of microfibers for dirt and particle capture, course sprayer nozzles to help reduce atomized chemical release, cutting back on harmful aerosols and the use of hydrogen peroxide as an alternative to a combination of several chemical cleaning products. In addition, ABM also offers ABM OnePass, an innovative cleaning system that reduces the amount of motions required to complete a task, thereby increasing productivity without reducing the quality of the service provided.

Over the past five years, ABM has made a series of acquisitions to boost industry-relevant revenue and expand its client base. For instance, the company acquired GCA Services Group for more than \$1.2 billion in July 2017.

Financial performance

Over the five years to 2019, ABM's janitorial segment revenue is expected to increase at an annualized rate of 5.4% to \$3.2 billion. The company's growth has been primarily driven by increased demand from businesses. Furthermore, ABM's janitorial segment benefited from more client contracts and higher contract prices for cleaning services. For example, the company acquired several large, lucrative contracts during this period. Recently, in March 2018, ABM signed a five-year contract to provide janitorial

services for LaGuardia Airport's Terminal B, as well as the newer terminals that will open up, until 2022.

These new contracts boosted the company's industry-related revenue, particularly in the western regions of the United States. For example, in May 2014, ABM was selected as the cleaning services partner for Major League Baseball's (MLB) Los Angeles Dodgers. The company signed a multiyear agreement to provide pre-event, post-event and daily janitorial services to the Dodger Stadium, which will further bolster segment sales over the next several years. In March 2015, ABM signed a multiyear contract to provide janitorial services for the Sleep Train Arena, home of the National Basketball Association's Sacramento Kings. More recently, in April 2016, ABM was selected as the cleaning services partner for MLB's Washington Nationals and Nationals Park stadium.

Over the past five years, an increase in demand from downstream healthcare markets also helped boost company revenue. In January 2016, ABM was awarded a multiyear contract to provide janitorial and environmental services for the Yale New Haven Hospital. These significant contracts signed during the period have helped boost industry-specific revenue and increase ABM's market share during the period.

Other Company Performance

Coverall Health Based Cleaning System
Market Share: 0.9 %

Coverall Health Based Cleaning System (Coverall) is a commercial cleaning franchise company that provides eco-friendly janitorial services to businesses. The company was founded in 1985 and is headquartered in Deerfield Beach, Florida. The company offers a variety of services, such as routine cleaning, decontamination services, carpet cleaning, floor restoration and restroom sanitation. Coverall services medical

facilities, educational institutions, manufacturing plants and fitness centers among others. Coverall offers franchisees a comprehensive training program and certifications on Coverall's proprietary cleaning process using a health-based cleaning method in the most efficient way possible. IBISWorld estimates that there are nearly 8,300 franchises, with the majority of them located in the United States. Overall, demand for janitorial

Major Companies

Other Company Performance continued

services has increased over the past five years, particularly among commercial clients. As a result, IBISWorld estimates

that Coverall's industry-specific revenue has gradually increased and is expected to reach \$410.3 million in 2019.

Other Company Performance

Jani-King International Inc.
Market Share: 0.9 %

Jani-King International Inc. (Jani-King) is a commercial cleaning franchise established in 1969. The company began franchising just five years later and is now the world's largest commercial cleaning franchise company, with nearly 8,000 franchises throughout 14 countries, including 120 regional support offices. The company is currently headquartered in Addison, TX. Franchise fees include initial start-up costs beginning at \$12,445. Jani-King's primary clients are in industries related to manufacturing, retail, hospitality, healthcare, stadium and events, education and government. In addition to traditional janitorial and cleaning services, the company offers a wide range of green cleaning services, which includes the regular use of specialized low-flow chemical dispensing systems, microfiber systems and environmentally preferable products. In March 2014, Jani-King also signed a partnership to provide janitorial

and environmental services for Select Medical, a leading provider of specialty hospitals and outpatient clinics with more than 700 properties. In September 2014, Jani-King franchises were selected to provide cleaning services for the Jessie Trice Corporate and Community Health Complex in Miami. More recently, Jani-King has signed a multiyear partnership agreement with Daytona International Speedway in 2015. In 2016, the company signed two contracts with Philadelphia-based Sterling Apartments and SugarHouse Casino. Lastly, in 2017 Jani-King added two Minor League Baseball teams into the mix, the Texas AirHogs and the Sugar Land Skeeters, in addition to its existing Major League Baseball client, the Texas Rangers. Due to strong downstream demand from healthcare, entertainment, industrial and other commercial markets, IBISWorld expects Jani-King's system-wide sales will total \$754.7 million in 2019.

Other Company Performance

ServiceMaster Global Holdings Inc.
Market Share: 0.4 %

ServiceMaster Global Holdings Inc. (ServiceMaster), headquartered in Memphis, TN, has more than 8,000 franchise and company-owned locations. The company's leading brands include Terminix (pest control), American Home Shield (security), ServiceMaster Restore (disaster restoration), ServiceMaster Clean (janitorial) and Merry Maids (residential cleaning). In the Janitorial Services industry, ServiceMaster operates through its ServiceMaster Clean (janitorial) and Merry Maids (residential cleaning) franchises. ServiceMaster's commercial janitorial offerings include: cleaning; sanitizing and restocking

restrooms; detailed cleaning of high-use areas; carpet vacuuming; caring for hard surface floors; and window washing. Specialty commercial janitorial surfaces include: deep carpet stain and spot removal; upholstery cleaning and preservation; leather care; computer cleaning and sanitation; and postconstruction cleaning. The company also offers green cleaning services. The company's Franchise Service Group provides residential and commercial customers in all 50 states, with more than 4,500 franchise agreements. Merry Maids provides residential cleaning services. According to the company,

Major Companies

Other Company Performance continued

Merry Maids operates locations throughout the United States. Additionally, the company provides home cleaning services in Canada and the United Kingdom. Cleaning services offered by Merry Maids include: sink cleaning and sanitizing; floor and wall washing; shower and bathtub sanitizing; oven and refrigerator cleaning; and window washing. In 2019, IBISWorld

estimates that the ServiceMaster's aggregated US franchises, which include ServiceMaster Clean and Merry Maids locations, will generate an estimated \$246.2 million in revenue. Over the five years to 2019, increasing consumer disposable income and growth in the number of US businesses bolstered demand for ServiceMaster's residential and commercial cleaning services.

Operating Conditions

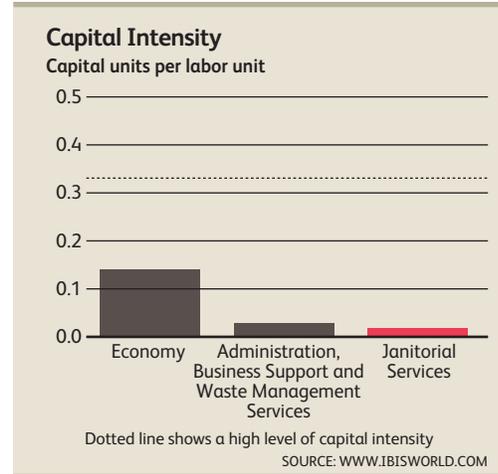
Capital Intensity | Technology & Systems | Revenue Volatility
 Regulation & Policy | Industry Assistance

Capital Intensity

Level
 The level of capital intensity is **Low**

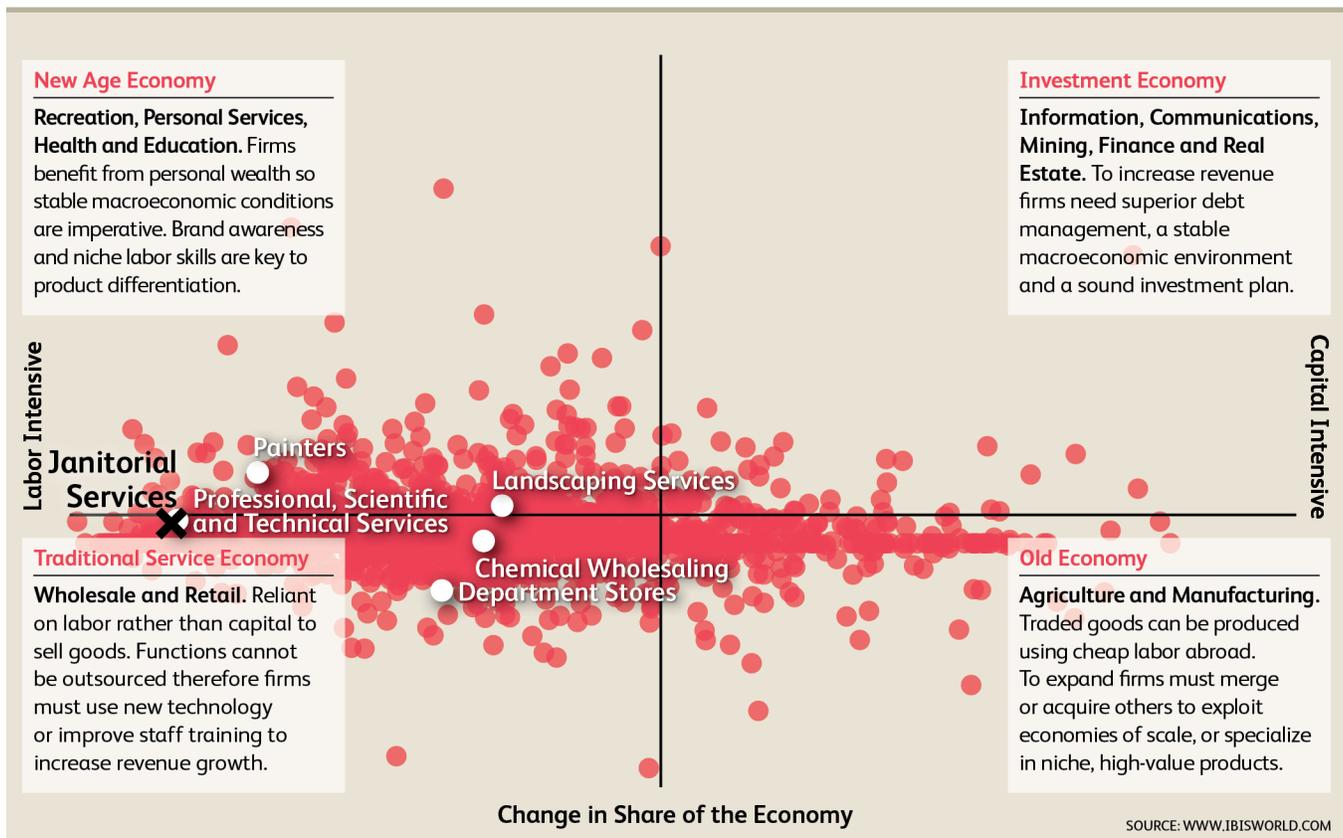
The Janitorial Services industry has a low level of capital intensity similar to other service-based industries. In 2019, for every \$1.00 spent on wages, industry operators will typically only spend \$0.02 on capital investment. Capital intensity has remained stable over the five years to 2019. However, over the past decade, industry operators have invested in green cleaning products and equipment, such as floor scrubbers that use fewer chemical products and machines that ionize water to help lift dirt particles. These investments can help attract environmentally conscious clients and save industry operators chemical cleaning costs over time.

Nevertheless, cleaning activities involve a high degree of direct labor



input. Typically, companies will employ between two to three employees and overall, capital investment in the

Tools of the Trade: Growth Strategies for Success



Operating Conditions

Capital Intensity continued

Janitorial Services industry tends to be low. While operators need to secure a warehouse, operational facility and company vehicles, these items can be leased, sparing operators the burden of high initial capital investments. In addition, companies purchase cleaning

agents, vacuums, mops, towels, as well as specialized equipment depending on the scale of operations for landscape maintenance, ventilation and air duct cleaning and carpet cleaning. Most equipment is industrial-strength versions of typical household cleaning supplies.

Technology and Systems

Level
The level of
technology
change is **Low**

The technology used in the Janitorial Services industry relates mainly to the use of cleaning equipment and chemicals and the use of website-enabled programs. For example, major player ABM introduced several innovations and systems to assist in its operations. ABM's Surveys Made Available Real Time (SMART) program enables clients to access online inspection reports that provide information such as specifications for cleaning schedules and status of work orders. In addition, ABM also developed OnePass, which reduces the amount of motion required to clean, which helps increase productivity while maintaining high-quality service. Similarly, other companies in the industry have revamped their websites to assist with administration and holding key records,

reports and cleaning and maintenance operating procedures.

Franchised commercial and domestic cleaning services are a growing segment of this industry. Cleaning services for major clients are now increasingly being provided on a total facilities management basis, which may also include pest control, security services and some building maintenance activities. Furthermore, advancements in environmentally friendly cleaning methods are a source of growth for industry operators. There have been significant advancements in cleaning equipment that has resulted in products that are better able to capture and remove soil than those made several years ago. These include advancements in special filters on vacuum cleaners and microfiber cloths and mop heads.

Revenue Volatility

Level
The level of
volatility is **Low**

Over the past five years, the Janitorial Services industry has exhibited a low level of revenue volatility. During the period, industry revenue steadily improved due to increased demand from consumers. Interestingly, industry revenue increased as much as 3.7% in 2016 and stagnating in 2017. Similarly, office rental vacancy decreased by 4.3% in 2016 and stagnated in 2017. Most of the industry demand for industry services stems from commercial and office buildings, thus as vacancy's decline demand for janitorial services increases. The industry remains

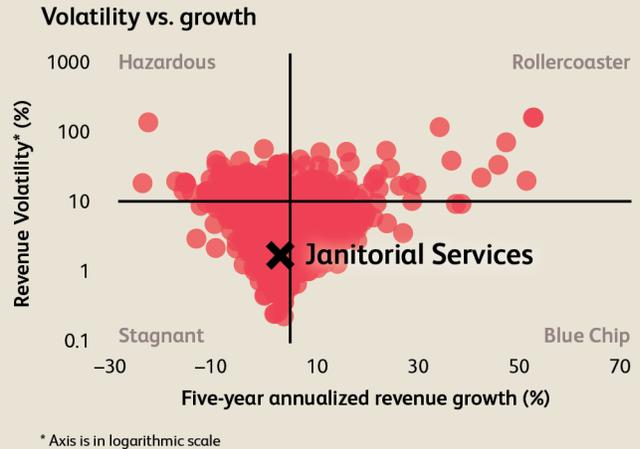
sensitive to fluctuations in the business cycle, as falling corporate profit margins can lead to contract cancelations for commercial cleaning services. In addition, any potential decline in disposable income may reduce homeowners' spending on residential cleaning services. Nevertheless, over the next five years, a projected increase in corporate profit margins and per capita disposable incomes, will increase demand for janitorial services. As a result, revenue volatility is expected to remain low over the five years to 2024.

Operating Conditions

Revenue Volatility continued

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



Regulation and Policy

Level & Trend
The level of Regulation is **Light** and the trend is **Steady**

This industry is not regulated, but like all other industries, operators must abide by all relevant occupational health and safety provisions. This especially applies to the use and storage of cleaning compounds. Industry operators are subject to various

federal state and local laws regulating the discharge of harmful chemicals and materials into the environment. These regulations relate to the use, storage, transportation and disposal of waste and hazardous substances.

Industry Assistance

Level & Trend
The level of Industry Assistance is **None** and the trend is **Steady**

There is no special assistance provided to Janitorial Services industry operators. However, the International Sanitary Supply Association (ISSA), also known as the Worldwide Cleaning Industry Association has a membership of more than 9,200 members, including nearly 600 residential cleaning service providers. The association offers a

Cleaning Industry Management Standard (CIMS) certification and CIMS-Green building certification designation (CIMS standards apply to an entire cleaning organization). Aside from a series of application, certification and assessment fees, a cleaning service company must demonstrate a commitment to quality to qualify for these certifications.

Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Number of businesses (Mil)
2010	51,841.1	29,055.8	749,701	746,369	1,627,556	--	--	25,634.3	N/A	7.4
2011	52,736.4	29,573.7	765,940	762,547	1,641,139	--	--	25,513.0	N/A	7.4
2012	52,892.6	30,395.0	767,110	763,250	1,675,683	--	--	26,639.7	N/A	7.4
2013	53,632.1	29,609.1	786,688	783,686	1,697,639	--	--	26,122.9	N/A	7.5
2014	55,587.3	30,355.0	807,631	804,724	1,747,301	--	--	26,741.9	N/A	7.6
2015	57,106.2	31,965.1	805,865	802,957	1,761,456	--	--	27,567.9	N/A	7.7
2016	59,220.8	32,853.1	809,203	808,053	1,782,190	--	--	28,707.7	N/A	7.8
2017	59,235.9	33,842.0	814,688	814,556	1,790,970	--	--	29,754.7	N/A	7.8
2018	59,895.7	34,187.8	824,268	824,206	1,812,088	--	--	30,101.7	N/A	7.9
2019	61,075.0	34,818.6	836,002	835,691	1,843,840	--	--	30,642.0	N/A	8.1
2020	61,460.1	35,091.0	844,335	844,282	1,859,573	--	--	30,889.8	N/A	8.0
2021	62,151.0	35,497.1	853,293	853,250	1,880,945	--	--	31,243.3	N/A	8.1
2022	62,782.9	35,845.8	860,808	860,730	1,899,716	--	--	31,556.2	N/A	8.2
2023	63,600.9	36,295.4	870,186	870,029	1,922,832	--	--	31,945.7	N/A	8.3
2024	64,463.5	36,768.6	880,356	880,103	1,947,171	--	--	32,355.8	N/A	8.3
Sector Rank	5/26	5/26	1/26	1/26	3/26	N/A	N/A	5/26	N/A	N/A
Economy Rank	168/694	96/694	7/694	7/694	13/694	N/A	N/A	55/694	N/A	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Number of businesses (%)
2011	1.7	1.8	2.2	2.2	0.8	N/A	N/A	-0.5	N/A	0.0
2012	0.3	2.8	0.2	0.1	2.1	N/A	N/A	4.4	N/A	0.0
2013	1.4	-2.6	2.6	2.7	1.3	N/A	N/A	-1.9	N/A	1.4
2014	3.6	2.5	2.7	2.7	2.9	N/A	N/A	2.4	N/A	1.3
2015	2.7	5.3	-0.2	-0.2	0.8	N/A	N/A	3.1	N/A	1.3
2016	3.7	2.8	0.4	0.6	1.2	N/A	N/A	4.1	N/A	1.3
2017	0.0	3.0	0.7	0.8	0.5	N/A	N/A	3.6	N/A	0.0
2018	1.1	1.0	1.2	1.2	1.2	N/A	N/A	1.2	N/A	1.3
2019	2.0	1.8	1.4	1.4	1.8	N/A	N/A	1.8	N/A	2.5
2020	0.6	0.8	1.0	1.0	0.9	N/A	N/A	0.8	N/A	-1.2
2021	1.1	1.2	1.1	1.1	1.1	N/A	N/A	1.1	N/A	1.3
2022	1.0	1.0	0.9	0.9	1.0	N/A	N/A	1.0	N/A	1.2
2023	1.3	1.3	1.1	1.1	1.2	N/A	N/A	1.2	N/A	1.2
2024	1.4	1.3	1.2	1.2	1.3	N/A	N/A	1.3	N/A	0.0
Sector Rank	16/26	19/26	16/26	16/26	14/26	N/A	N/A	17/26	N/A	N/A
Economy Rank	294/694	345/694	263/694	260/694	268/694	N/A	N/A	304/694	N/A	N/A

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2010	56.05	N/A	N/A	31.85	49.45	2.17	15,750.18	0.19
2011	56.08	N/A	N/A	32.13	48.38	2.14	15,545.91	0.19
2012	57.47	N/A	N/A	31.56	50.37	2.18	15,897.82	0.19
2013	55.21	N/A	N/A	31.59	48.71	2.16	15,387.78	0.18
2014	54.61	N/A	N/A	31.81	48.11	2.16	15,304.69	0.18
2015	55.97	N/A	N/A	32.42	48.27	2.19	15,650.63	0.18
2016	55.48	N/A	N/A	33.23	48.48	2.20	16,108.10	0.19
2017	57.13	N/A	N/A	33.07	50.23	2.20	16,613.73	0.19
2018	57.08	N/A	N/A	33.05	50.26	2.20	16,611.61	0.18
2019	57.01	N/A	N/A	33.12	50.17	2.21	16,618.58	0.18
2020	57.10	N/A	N/A	33.05	50.26	2.20	16,611.23	0.18
2021	57.11	N/A	N/A	33.04	50.27	2.20	16,610.43	0.18
2022	57.09	N/A	N/A	33.05	50.26	2.21	16,611.01	0.18
2023	57.07	N/A	N/A	33.08	50.23	2.21	16,613.88	0.18
2024	57.04	N/A	N/A	33.11	50.19	2.21	16,616.83	0.17
Sector Rank	8/26	N/A	N/A	26/26	7/26	23/26	25/26	5/26
Economy Rank	62/694	N/A	N/A	688/694	21/694	608/694	648/694	96/694

Figures are in inflation-adjusted 2019 dollars. Rank refers to 2019 data.

SOURCE: WWW.IBISWORLD.COM

Industry Financial Ratios

	Apr 2014 - Mar 2015	Apr 2015 - Mar 2016	Apr 2016 - Mar 2017	Apr 2017 - Mar 2018	Apr 2017 - Mar 2018 by company revenue		
					Small (<\$10m)	Medium (\$10-50m)	Large (>\$50m)
Liquidity Ratios							
Current Ratio	1.5	1.5	1.4	1.4	1.4	1.4	1.4
Quick Ratio	1.3	1.3	1.2	1.2	1.2	1.2	1.3
Sales / Receivables (Trade Receivables Turnover)	10.4	10.3	11.2	10.5	11.8	10.6	7.6
<i>Days' Receivables</i>	35.1	35.4	32.6	34.8	30.9	34.4	48.0
Cost of Sales / Inventory (Inventory Turnover)	n/c	n/c	n/c	n/c	n/c	n/c	n/c
<i>Days' Inventory</i>	n/a	n/a	0.4	0.4	0.4	0.4	0.4
Cost of Sales / Payables (Payables Turnover)	31.4	33.5	35.5	35.9	41.2	31.4	34.6
<i>Days' Payables</i>	11.6	10.9	10.3	10.2	8.9	11.6	10.5
Sales / Working Capital	25.9	23.5	24.9	30.6	33.5	30.6	20.1
Coverage Ratios							
Earnings Before Interest & Taxes (EBIT) / Interest	7.8	8.0	9.5	11.4	6.3	13.3	15.9
Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt	8.1	4.8	5.7	6.8	n/a	7.5	10.9
Leverage Ratios							
Fixed Assets / Net Worth	0.7	0.6	0.6	0.6	0.8	0.5	0.5
Debt / Net Worth	2.8	2.3	2.6	2.0	2.4	1.5	1.8
Tangible Net Worth	19.1	20.9	19.4	23.8	16.4	35.4	25.0
Operating Ratios							
Profit before Taxes / Net Worth, %	43.7	49.3	43.3	45.3	54.5	40.3	42.6
Profit before Taxes / Total Assets, %	12.3	13.9	12.0	12.3	12.5	14.3	12.0
Sales / Net Fixed Assets	40.8	43.0	41.8	31.4	25.5	36.9	41.9
Sales / Total Assets (Asset Turnover)	4.3	4.1	4.2	3.9	3.6	4.5	3.6
Cash Flow & Debt Service Ratios (% of sales)							
Cash from Trading	22.9	25.9	24.2	31.4	39.7	23.5	16.9
Cash after Operations	3.4	3.9	4.1	3.9	5.0	3.1	3.6
Net Cash after Operations	3.0	4.1	3.6	3.9	5.5	3.0	2.9
Cash after Debt Amortization	0.6	1.3	0.9	1.0	1.9	0.5	0.3
Debt Service P&I Coverage	3.1	3.6	3.8	3.1	3.7	2.5	3.8
Interest Coverage (Operating Cash)	6.8	10.2	10.0	7.5	6.3	8.9	9.0
Assets, %							
Cash & Equivalents	16.4	16.9	14.7	14.9	15.8	15.2	11.3
Trade Receivables (net)	40.5	40.1	38.3	40.7	35.3	45.4	49.0
Inventory	2.0	1.8	1.8	1.8	2.0	2.1	0.4
All Other Current Assets	4.7	4.9	4.8	4.2	3.0	4.4	7.6
Total Current Assets	63.6	63.7	59.6	61.6	56.1	67.2	68.4
Fixed Assets (net)	17.4	17.8	16.6	18.3	20.7	17.1	12.5
Intangibles (net)	11.2	11.0	13.5	10.7	12.2	7.9	11.1
All Other Non-Current Assets	7.7	7.5	10.4	9.5	11.0	7.7	8.0
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Assets (\$m)	3,154.7	3,147.5	2,960.4	2,869.1	154.6	522.5	2,192.0
Liabilities, %							
Notes Payable-Short Term	14.9	15.6	14.2	12.8	14.0	12.7	9.2
Current Maturities L/T/D	2.9	4.1	3.2	3.7	5.0	2.4	2.2
Trade Payables	12.6	11.1	12.4	11.8	10.2	13.8	13.1
Income Taxes Payable	0.2	0.3	0.4	0.5	0.2	1.1	0.1
All Other Current Liabilities	16.3	14.2	16.9	18.5	17.8	17.0	24.3
Total Current Liabilities	46.9	45.2	47.1	47.4	47.2	47.0	48.9
Long Term Debt	16.6	17.4	14.8	14.2	19.8	7.9	8.4
Deferred Taxes	0.2	0.4	0.3	0.1	0.1	0.2	0.3
All Other Non-Current Liabilities	5.9	5.1	5.0	3.8	4.4	1.6	6.3
Net Worth	30.3	31.9	32.9	34.5	28.6	43.3	36.1
Total Liabilities & Net Worth (\$m)	3,154.7	3,147.5	2,960.4	2,869.1	154.6	522.5	2,192.0
Maximum Number of Statements Used	276	276	249	249	130	81	38

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institutions' borrowers and prospects.

Note: For a full description of the ratios refer to the Key Statistics chapter online.



Jargon & Glossary

Industry Jargon

FRANCHISING Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees).

MAID SERVICES Cleaning services designed for domestic buildings (i.e. households).

STRATEGIC ALLIANCE Agreement for cooperation among two or more independent operators to work together toward common objectives.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70 % of industry revenue. Medium is 40 % to 70 % of industry revenue. Low is less than 40 %.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5 %, medium is 5 % to 20 %, and high is more than 20 %. Imports/domestic demand: low is less than 5 %, medium is 5 % to 35 %, and high is more than 35 %.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

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