

**White Paper  
On The Building  
Service Contracting  
Industry**



## **MARKET OVERVIEW**

Approximately 56,000 firms specialize in commercial, industrial and institutional cleaning, representing roughly \$150 billion in annual sales.

While multinational corporations, franchise operations and national chains have grabbed headlines in recent years, the industry, for the most part, is defined by private, steady-growth, mid-size companies run by the quintessential “entrepreneur.” Ninety-four percent of building service contractors (BSCs) operate on regional, state or local levels only.

Industry researchers estimate approximately five million commercial facilities make up the U.S. non-residential building market — representing more than 70 billion square feet of building space. Of those, surveys indicate that as many as 82 percent of commercial facilities in the U.S. outsource cleaning. Retail facilities are another major outsourcer of cleaning operations. In addition, in recent years, government and educational facility markets have shown an upward trend in general outsourcing as a means to reduce budgets.

The 2009 recession is having a dramatic effect on the contract cleaning industry. Office buildings have experienced a rise in vacancies and facility managers have reduced cleaning frequencies. Cleaning areas that are out of sight from most visitors are being de-prioritized. Meanwhile, banks and industrial facilities have been hit the hardest with cleaning frequencies reduced to as little as once a week or ending completely as facilities close down. Many BSCs fear these frequencies won't return to pre-recession levels any time soon, if ever.

To help offset the decline in traditional markets, BSCs are shifting some of their focus to other sectors including healthcare, government, education and even residential.

## **PRODUCT AND EQUIPMENT SPECIFYING**

BSCs purchase 56 percent of their products and equipment through sanitary supply distributors. The contract cleaning industry spends more than \$6 billion on cleaning chemicals, power equipment, paper products and other supplies annually.

Chemical spending accounts for 35 percent of all contractor purchases. Paper/plastic products, 33 percent; power equipment, 18 percent.

The majority of contractors suggest they maintain at least two supply relationships in order to guarantee price and availability. A common practice is to split purchasing between core supplies by product category, with the bulk of equipment or paper goods coming from one supplier and the remaining chemicals and/or tools delivered by another. Some BSCs opt to purchase a majority of cleaning equipment and supplies from one distributor and use a second as a backup or specialty supplier.

In addition to products, most BSCs tap into a jan/san distributor for value-added services that include:

- Product training
- Access to material safety data sheets (MSDS)
- “On-time” delivery strategies
- Warehouse storage strategies
- Product availability after-hours or in case of emergencies

One recent industry study revealed that, beyond the traditional contractor/distributor arrangement, 17 percent of products are purchased directly from manufacturers — while 11 percent of purchases are made through wholesale clubs, and 11 percent from retail outlets or “big box” stores.

## CUSTOMER RELATIONSHIPS

The stereotype that facility managers base their cleaning decisions solely on price is no longer accurate in today’s market. There are a number of factors that influence a facility manager’s decision when choosing a cleaning provider.

- **Low bid vs. premium services.** Traditionally, the service provider that submitted the lowest bid won the account. However, there is an evident trend among facility managers and building owners to consider paying more for so-called “premium services” — beyond the traditional cleaning for appearance. Growing awareness of the health and environmental benefits that can be achieved through more sophisticated housekeeping practices has building owners weighing both price and value-added services when differentiating service providers. According to a recent survey of facility managers in commercial facilities, for example, price rated third behind “providing a clean appearance” and “providing a sanitary and healthy environment” as a factor in picking a cleaning service provider.

- **Cost still important.** The cost of cleaning, however, is still important in some buildings as facility budgets are reduced. Cleaning is still the primary facility service scrutinized when spending must be cut. As proof, with the current economy, BSCs reported service reductions averaging between 10 and 30 percent. To reduce costs, basic services including dusting, vacuuming and trash pickup are no longer daily; weekly services are shifted to once or twice a month and quarterly services are now performed twice a year. Add-on services such as carpet care and window washing move to an as-needed basis.

- **An environmental consciousness.** More and more Fortune 10 and Fortune 50 companies are breaking ground when it comes to building and operating sustainable buildings. According to one survey, only 25 percent of BSC customers require green cleaning, but as many as 75 percent would be interested in this type of service. In addition, 64 percent of facility managers want their BSCs to offer day cleaning which can help reduce energy consumption.

- **The security factor.** In wake of ongoing terrorism threats, facility managers emphasize building security more than ever. Facility professionals also scrutinize building traffic and activity more than ever before. More clients — as high as 92 percent based on a recent survey — are requiring background checks of all cleaning personnel. In addition, customers want to be notified immediately of any staff changes within their buildings. Similarly, more contractors are going with “uniformed” staffs that carry identification badges.

## OUTSOURCING

In addition to the outsourcing trends mentioned earlier, government facilities are a hot BSC market because of a variety of federal and state initiatives that have opened up facilities to bids from smaller contractors. These government contracts also tend to have very specific contracting requirements, which create opportunities for minority and women-owned businesses. Educational facilities — specifically K-12 schools — are also seeing a rise in outsourcing as more state-funded school districts are reducing expenditures.

As more facilities outsource their services, contractors are also finding that large owner-occupied facilities and property management firms are paring down their lists of vendors to a select few service companies. As a result, many BSCs are diversifying their services beyond cleaning. Popular diversified services include:

- Carpet cleaning
- Grounds care
- Window washing
- Security
- Pest control
- Matting services
- Graffiti removal
- Snow and ice removal
- Fire and water restoration

BSCs often will subcontract certain “specialty” work to subcontractors — primarily because facility management operations tend to purposely limit the number of service vendors they work with. Similarly, national firms may subcontract geographically, using local firms around the country.

## **MAKING CONNECTIONS**

Many contractors are members of industry associations — and often carry professional certifications from these groups. The most common associations include:

- Building Service Contractors Association International (BSCAI), for commercial contract cleaners, which offers the CBSE designation;
- ISSA, once a distributor organization, but has opened its membership to BSCs and in-house service providers, which offers the Cleaning Industry Management Standard (CIMS);
- Restoration Industry Association (RIA), formerly the Association of Specialists in Cleaning and Restoration (ASCR), which traditionally focuses on restoration services and offers a variety of certifications;
- The Institute of Inspection Cleaning and Restoration (IICRC), a certifying organization of carpet and restoration services.

BSCs continue to solidify their positions as professional service providers by joining building owner and manager organizations as associate members or participating in local chapters of these groups. The most common facility customer organizations include:

- Building Owners and Managers Association International (BOMA), for building owners and property management executives;

- The International Facility Management Association (IFMA), for commercial and institutional facility managers;
- The Association of Higher Education Facilities Officers (APPA), for facility executives of schools and universities;
- The American Society for Healthcare Environmental Services (ASHES), for facility managers in healthcare.

## MANPOWER CHALLENGES

Nearly half of a BSCs budget is spent on labor, so it's no surprise that the workforce is also their biggest business challenge. The cleaning industry has always been plagued by a "low-pay, low-reward" perception. However, the majority of contractors pay employees above minimum wage. Still, cleaning is not seen as glamorous work or as a viable career path by many. Many employees enter the field by taking on a second job during the evening hours.

Some of the roadblocks to finding quality workers include:

- **Lack of transportation.** Some potential workers don't have their own means of transportation to get to accounts and they would be working at night when access to public transportation is limited;
- **Screening problems.** More accounts are requiring drug tests and background checks, which rule out some entry-level applicants;
- **Aging workforce.** A lot of retiring baby boomers want to go back to work part time, but cleaning can be too strenuous for older applicants;
- **Diminishing work ethic of young workers.** The new generation entering the workforce does not hold the same values as their counterparts and don't see cleaning as a credible job;
- **Peter Principle.** Employers want to promote managers from within the ranks, but often a good cleaner doesn't necessarily make a good manager and employees are promoted without the proper management skills.

While it's difficult to attract quality workers to the industry, it's even harder to retain them. Some companies experience turnover as high as 400 percent. However, national averages are much lower. And with the uncertain economy, more janitors are holding onto their jobs, causing turnover rates to drop even lower. A recent survey reported turnover as low as 34 percent. Supervisory turnover generally runs about 16 percent annually. With the cost of replacing a trained worker around \$1,675, it's crucial that BSCs find competent workers and keep them. With staff changing over frequently, contractors look for products that have multiple uses so workers have to be trained on fewer products with less chance for error.

## IMMIGRATION

Contractors employ a number of ethnic workers. Thus, the so-called immigration "problem" is more likely to be an issue with service providers, compared to some other industries. Studies have shown that 6 to 7 million of the 12 million illegal immigrants in the U.S. are currently employed. One primary occupation of illegal immigrants is cleaning. Past studies have shown that 17 percent of illegal immigrants work in the cleaning industry. It's not hard for

immigrants to obtain fake Social Security cards and other necessary documents and employers may unwittingly hire illegal workers. If caught hiring illegal immigrants without proper paperwork to validate their citizenship, contractors face stiff fines and penalties that could cripple their company and tarnish the reputation of the industry. What's worse is that some BSCs knowingly hire illegal immigrants as subcontractors and pay them below minimum wage while skirting taxes and workers' compensation insurance. With lower labor costs, these contractors are able to charge less for cleaning services and low-ball ethical contractors out of the bidding process.

## **INFECTION CONTROL/GREEN CLEANING**

Infectious bacteria and pandemic scares have spotlighted cleaning's role in improving building occupant health in the public eye. Proper cleaning procedures can help prevent the spread of Methicillin-resistant Staphylococcus aureus (MRSA), Vancomycin-resistant enterococci (VRE), Clostridium difficile (C-diff), avian influenza (H5N1), swine flu (H1N1) and even the common cold. Along with encouraging building occupants to wash their hands, a cleaning-for-health program that cleans and disinfects commonly-touched areas such as doorknobs, computer keyboards and light switches safeguards against cross-contamination and significantly reduces the spread of disease by 99.99 percent. Also, implementing color-coding systems for products and touch-free fixtures in restrooms has helped to reduce cross-contamination in facilities.

To back up their health claims, BSCs are turning to "cleaning science." By using ATP measurement devices, air quality samples and ultraviolet lights, BSCs can measure how clean a surface is after service.

The products BSCs use also have an impact on the environment. "Green" cleaning can be applied to nearly every aspect of a cleaning program. More product categories are offering green alternatives, including:

- Daily cleaners that emit lower levels of volatile organic compounds (VOCs)
- Floor finishes and strippers with fewer VOCs that lack heavy metals such as zinc, which can be toxic to aquatic life
- Paper products made with recycled content
- Soaps that are biodegradable and use recyclable packaging
- Vacuums that capture significant amounts of soil from carpet and prevent dust from being released into the air
- Floor machines that use less water and chemicals and are also more durable with longer lifespans to reduce overall waste
- Enzymes, aka biodegradable proteins, that "eat" away deposits on drains and pipes to prevent odors
- Brooms and mops made from recycled plastic bottles and use handles constructed from bamboo
- Microfiber cloths and mops that require fewer chemicals and water to clean

- Disinfectants: Currently disinfectants are classified as pesticides and therefore cannot be labeled green. However, there are options that are not as harsh as traditional products including those that have a neutral pH, fewer VOCs, are butyl-free or hydrogen-peroxide based. The EPA is working on a pilot-program that one day may allow manufacturers to promote green claims on labels and packaging.

To help limit the confusion about green products and to counter “greenwashing,” third-party organizations are certifying products:

- Green Seal: Certifies a number of product categories, several of which apply to janitorial including: GS-37 for chemicals, GS-40 for floor-care products, GS-41 for soaps and hand cleaners, GS-9 for towels and napkins, GS-1 for tissue products and GS-42 certification for cleaning services;

- EcoLogo: Founded by the Canadian government, the organization is now recognized in all of North America and offers certifications for cleaning chemicals, soaps, towel and tissue and odor control products, among others;

- GreenGuard: Certifies cleaning products that improve indoor air quality;

- Seal of Approval: The Carpet & Rug Institute’s green certification for vacuums, carpet extractors, carpet chemicals and full carpet-care systems;

- Design for the Environment (DfE): Offered by the U.S. Environmental Protection Agency (EPA), DfE is not a certification, but a rather a partnership with companies that voluntarily commit to incorporate environmental considerations into their design process.

Green products are also safer for users and building occupants. Based on a recent survey of BSCs, 81 percent of respondents use green products and of the 19 percent who don’t, 70 percent of those claim they plan on switching to green in the near future.

The most commonly used green products include general-purpose chemicals, carpet chemicals, paper products and microfiber.

As alluded to earlier, many facility owners and managers are under pressure to champion environmentally-friendly cleaning. In some states, green is not a choice, but a requirement. As of this writing, legislation in New York, Illinois, Maryland, Connecticut and Hawaii requires all schools to use green cleaning products. Missouri and Maine have passed guidelines recommending green cleaning. In Vermont, New Jersey and Illinois, all state-owned facilities are to be “green cleaned.” A dozen other states have proposed some form of green legislation and many cities and counties additionally have developed their own green requirements.

Similarly, the U.S. Green Building Council, an influential watchdog/support group for facility management professionals, developed the Leadership in Energy and Environmental Design (LEED) standard for buildings to follow. Buildings are rated based on a point system earned by implementing green practices. By using green cleaning products, BSCs can help their customers achieve certification towards LEED for Existing Buildings: Operations and Maintenance.

Building off the green movement, sustainability is the newest environmentally-conscious trend. BSCs are taking a holistic approach and greening their operations. From LEED-certified headquarters to hybrid fleets, BSCs are proving to customers they can “walk the walk” when it comes to green.

## **SAFETY**

Janitors are the fifth most injured workers in the U.S. On average there are 3.6 injuries per 100 full-time workers. Common injuries include muscle and joint injuries, repetition stress injuries and slip-and-fall accidents. To ensure a safer work environment, BSCs can use ergonomically-designed equipment and green chemicals; supply proper personal protective equipment; keep up-to-date records of MSDSs; and provide training that is easy to understand for bi-lingual, non-English-speaking and illiterate workers.

## **BUSINESS TECHNOLOGY**

Just a few years ago, simply having Internet access was considered progressive for BSCs. Today, however, the majority of cleaning contractors are “e-literate” and aggressively use the Web to promote their business. BSCs who have embraced e-commerce use the Internet to purchase their products and supplies from vendors.

Tech applications have expanded beyond the Internet and many BSCs apply cutting-edge technology to other areas of their business:

- Computer software to tabulate workloading and bidding formulas
- Cell phones and push-to-talk devices to communicate on-demand with employees and customers
- Digital cameras to document accidents and errors during inspections
- Smartphones, personal Digital Assistants (PDAs) and hand-held computers that use on-screen checklists during building inspections
- Portable MP3 players and portable DVD players to run on-site training videos
- Global positioning system (GPS)-enabled devices to track vehicles and improve timekeeping
- Social networking Web sites to correspond with colleagues and find job applicants

# Contracting Profits

The leading resource for building service contractors

2100 West Florist Avenue  
Milwaukee WI, 53209

Phone: **414-228-7701**

Fax: **414-228-1134**

[www.cleanlink.com](http://www.cleanlink.com)