

BSC Business Roundup

Highlights from the 2016 CMM Building Service Contractor Benchmarking Survey

By CMM Editorial Staff

In an era of intense and ever-increasing competition in the building service contractor (BSC) market, the typical BSC firm faces a number of ongoing challenges to win new business, uphold a high level of service delivery, meet demanding customer expectations, comply with changing government regulations, and ultimately maintain profitability.

To better understand the often-complex dynamics of BSC businesses in today's marketplace, *Cleaning and Maintenance Management (CMM)* conducted our annual BSC Benchmarking Survey this spring. The following pages include an analysis of the aggregate results, which we hope will be useful to benchmark your own operations.

Survey Methodology and Participant Profile

To conduct the 2016 CMM BSC Benchmarking Survey, CMM editorial staff distributed the survey via email to all active contacts in CMM's BSC email

database. Survey questions addressed a range of BSC business dimensions—structure, operations, human resources, sales, and purchasing—to identify benchmarks and critical issues for BSCs.

A total of 231 qualified contractors completed the survey; 77 percent of these identified themselves as traditional BSC/janitorial service providers, and 15 percent were specialty cleaning/maintenance contractors. Nearly three-quarters of respondents work in corporate management or own the business. However, the aggregate survey results represent a wide range of BSC businesses. Respondents' businesses varied in size and scope of operations, as 22 percent are responsible for cleaning less than 250,000 square feet on a monthly basis, while 23 percent clean more than 5 million square feet each month. Additional respondent profile information can be found on Page 27.

Trends and Takeaways

When it comes to critical issues BSCs face, two resonant themes were evident in analyzing the survey results: BSCs

consistently are challenged to hire and retain qualified staff, and must bid competitively—albeit prudently—to gain new business and maintain desired levels of profitability for each account.

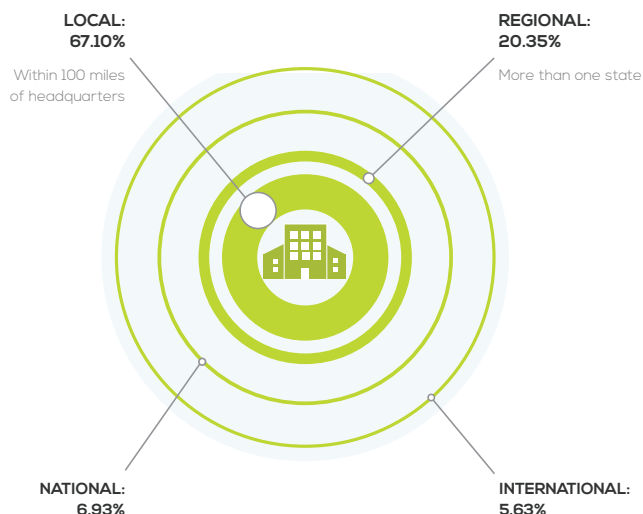
However, despite these considerable, ongoing challenges that impact contractors today, the majority of respondents maintained a positive outlook with regard to revenue growth this year. In fact, 46 percent of respondents predicted their revenues will increase some this year compared to last, while 20 percent expected revenues to increase significantly in 2016 versus 2015.

Of course, these highlights only scratch the surface of today's BSC business landscape. Continue reading to review the aggregate results, which we highlight in a series of graphs and illustrations in the following pages, and analyze how your BSC business compares from a benchmarking perspective. For complete survey results visit www.CMMOnline.com/bscsurvey-2016.



RESPONDENT PROFILE

Where do BSCs do business?



More than two-thirds (67.1 percent) of survey respondents reported their company's customer base is local—or within 100 miles of their headquarters location. Further afield, 20.35 percent of BSC respondents serve customers in more than one state, while less than 7 and 6 percent provide service nationwide and internationally, respectively.

Customers' most important areas of concern



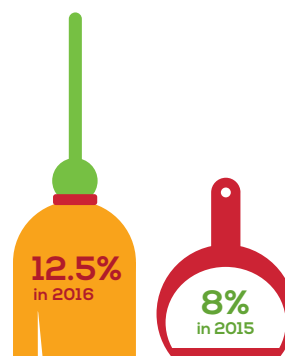
When asked to rank the importance of facility criteria for their customers, "improving facility image" was the top response for the second year in a row, as 90 percent of survey respondents said it was very important. Respondents also ranked "health/safety/security" (80 percent) and "reducing overall cleaning costs" (79 percent) as the next two very important considerations for their customers.

Additional maintenance services provided



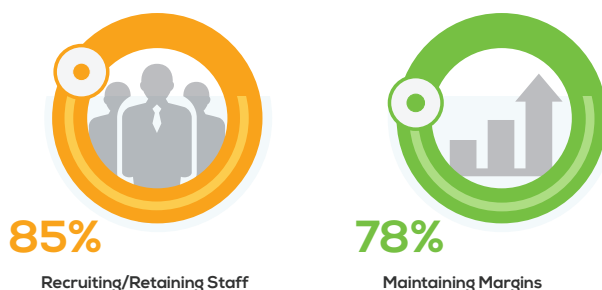
While one-third (34 percent) of respondents provide only cleaning services, 66 percent of BSCs surveyed offer additional facility maintenance services. The top five additional services respondents identified were exterior maintenance (45 percent), lightbulb replacement/re-lamping (45 percent), grounds care (30 percent), painting (26 percent), and snow removal (24 percent).

Source of new business

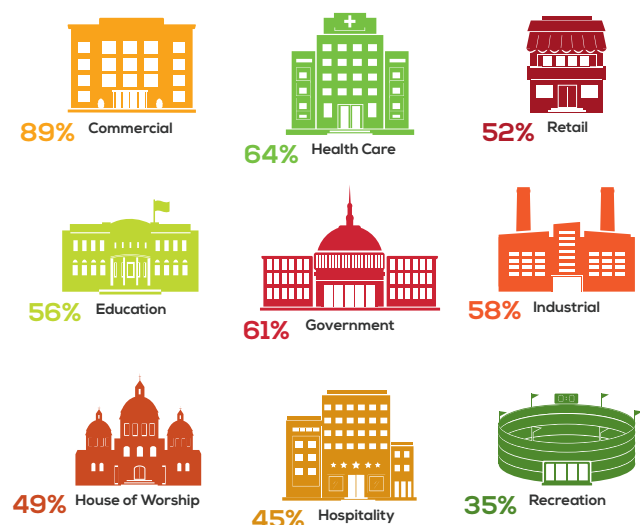


Compared to 2015, this year's BSC survey results illustrate an increase of BSCs replacing in-house staffs as a source of new business.

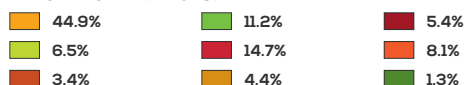
Top challenges for BSCs



Service delivery and revenue breakdown



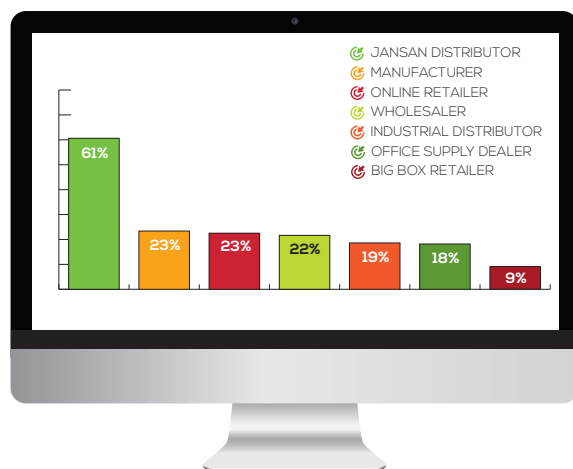
PERCENT OF REVENUES:



From commercial to recreation facilities, survey participants were asked what facilities they serve, along with the revenue they gain from each building/facility type. The service percentages are listed with the building type, and the colors in the key illustrate the revenue associated with each building/facility type.

PURCHASING

From which sources do BSCs purchase online?



More than three-quarters (77 percent) of survey respondents said they purchase cleaning and maintenance products from a jansan supply distributor—and 61 percent of respondents purchase from jansan distributors online. Other top sources for online purchases include direct from the manufacturer (23 percent), online retailers (23 percent), and wholesalers (19 percent).

Operating budget breakdown



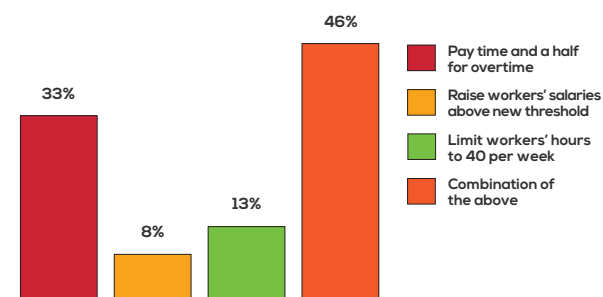
86%

Spend less than 40 percent of their operating budget on cleaning/maintenance equipment and supplies

Products BSCs Purchase	Percentage
Cleaning supplies (mops, microfiber, carts, can liners)	83.12%
Cleaners and disinfectants	82.68%
Carpet care equipment (including vacuums)	79.65%
Carpet care chemicals	74.89%
Floor finish/coatings	73.59%
Floor pads/supplies	73.59%
Hard floor care equipment	71.86%
Employees' safety equipment	71.00%
Paper products (towels, tissue, etc.)	67.10%
Odor control products/chemicals	64.94%
Uniforms/apparel	59.31%
Hand soap/sanitizers	58.44%
Hard floor care equipment	75.7%
Restroom dispensers (paper, soap)	53.68%
Batteries (equipment)	53.25%
Bidding/estimating tools (software, applications)	49.35%
Quality assurance programs	34.20%
Matting	24.24%
Measurement equipment (infrared, ATP, IAQ, moisture)	23.38%
Grounds care equipment	21.65%
Ice and snow removal	19.48%
Material handling equipment	16.45%
Hand dryers	9.96%
Pest/bird control	9.52%

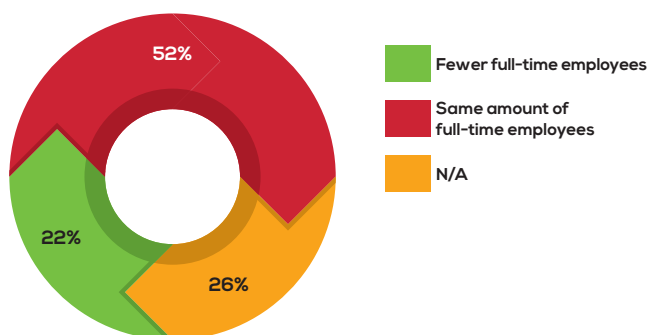
STAFFING


FLSA's impact on BSC payrolls



As outlined in the Personnel and Policies department in this issue of *CMM* (Editor's note: See page 38 for details), the U.S. Department of Labor's Fair Labor Standards Act (FLSA) could impact BSCs' payrolls with regard to overtime pay when it goes into effect December 1, 2016. Nearly half of survey respondents say they will adapt to FLSA through a combination of paying time and a half for overtime, raising workers' salaries above the new threshold, and limiting workers' hours to 40 per week, while one-third (33 percent) of respondents plan to pay time and a half for overtime exclusively.

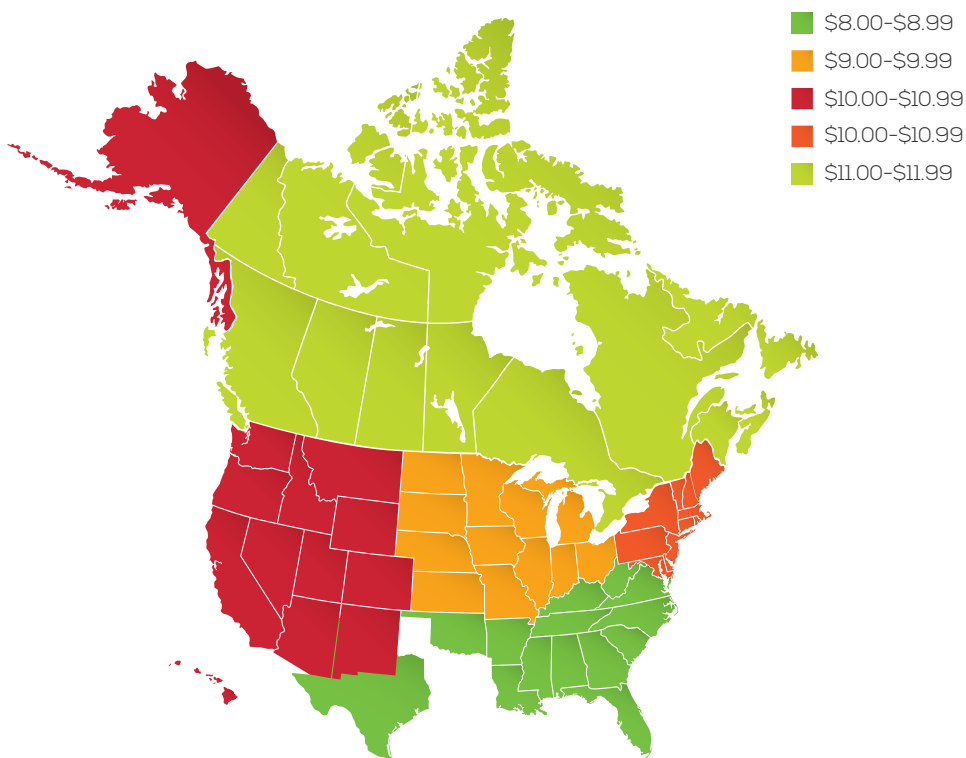
Affordable Care Act employment impact



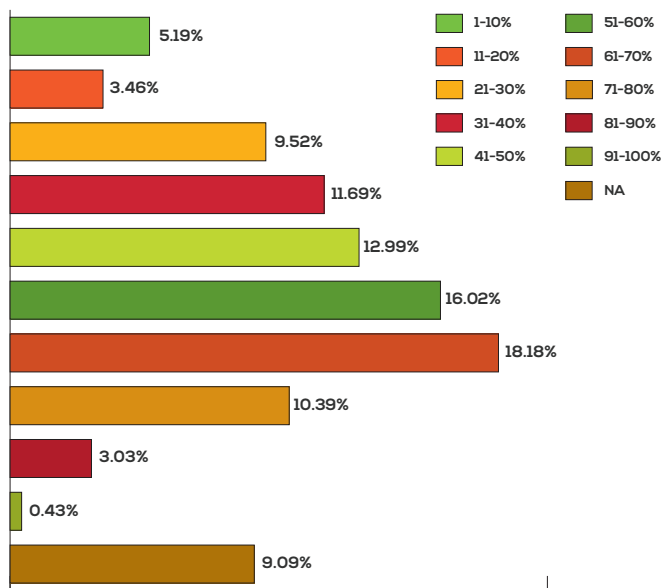
More than half of survey respondents (51.5 percent) said that the U.S. Affordable Care Act (ACA) has not affected their full-time employee (FTE) count, while 22.5 percent of respondents say they employ fewer FTEs as a result of the federal statute. The ACA mandates that employers with more than 50 FTEs offer health insurance to their full-time workers. 

Median starting hourly wage by region

Below are the median starting hourly wages (in U.S. dollars) for building service contractors in various regions across the United States and Canada, according to survey respondents.



Total costs for labor (wages and benefits) as a percentage of overall operating cost



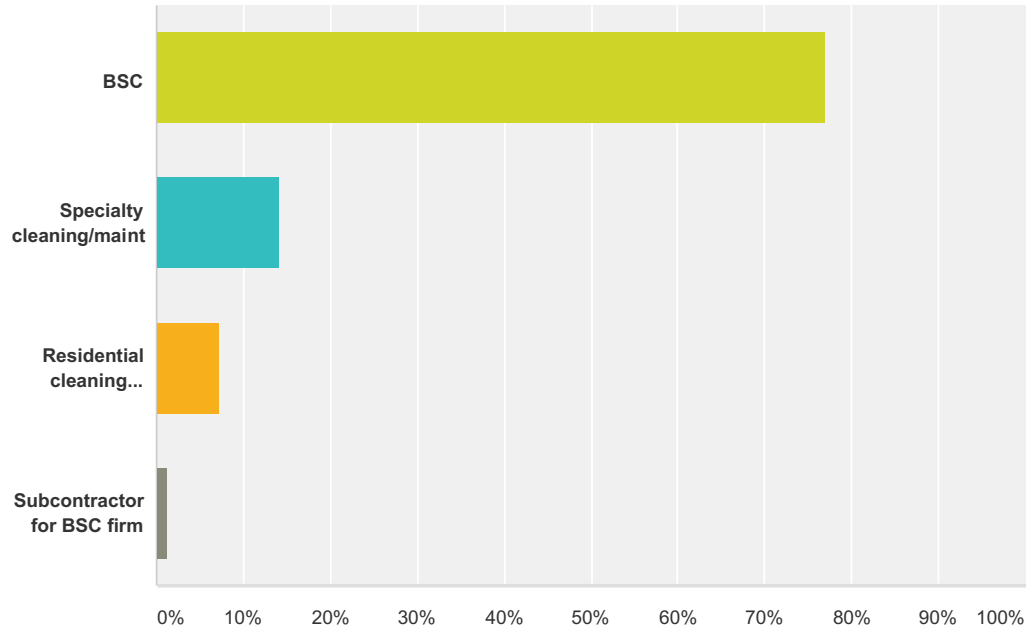
SALES

22.5 percent
was the median gross margin in 2015
from janitorial/cleaning services.

Compared to 2015,
65.4 percent
of respondents expect
revenues to increase in 2015.

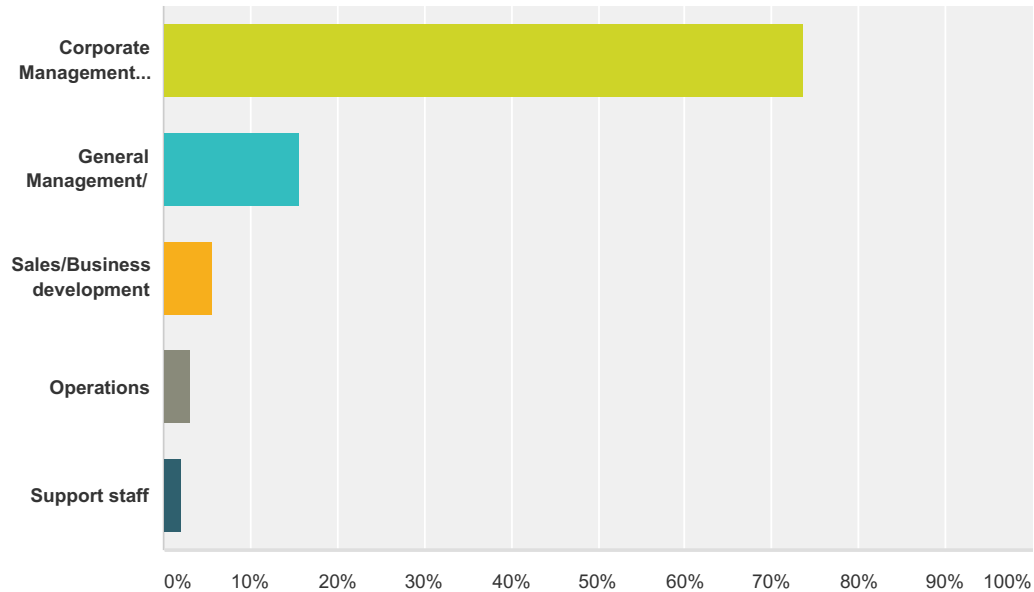
2016 Building Service Contractor Benchmarking Survey
results continue on the following pages.

Which of the following best describes your PRIMARY business?



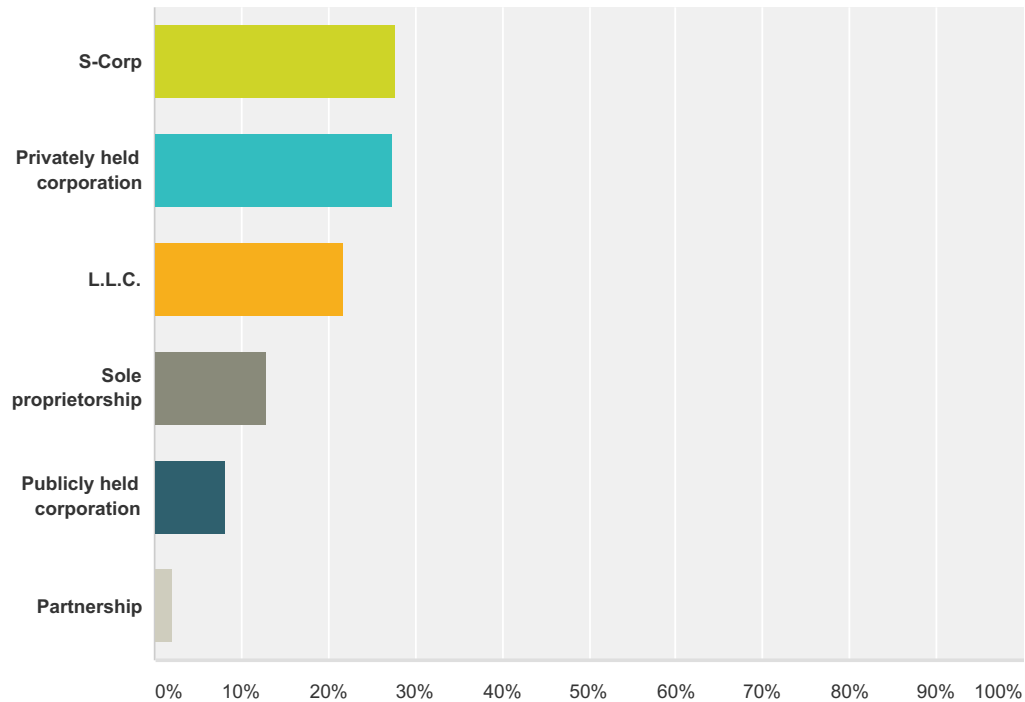
Answer Choices	Responses	
Building service contractor (BSC)/janitorial service provider	77.06%	178
Specialty cleaning/maintenance contractor (Window, Carpet, Floors, Landscaping, etc.)	14.29%	33
Residential cleaning contractor	7.36%	17
Subcontractor for BSC firm	1.30%	3
Total		231

Which of the following best describes your role in the business?



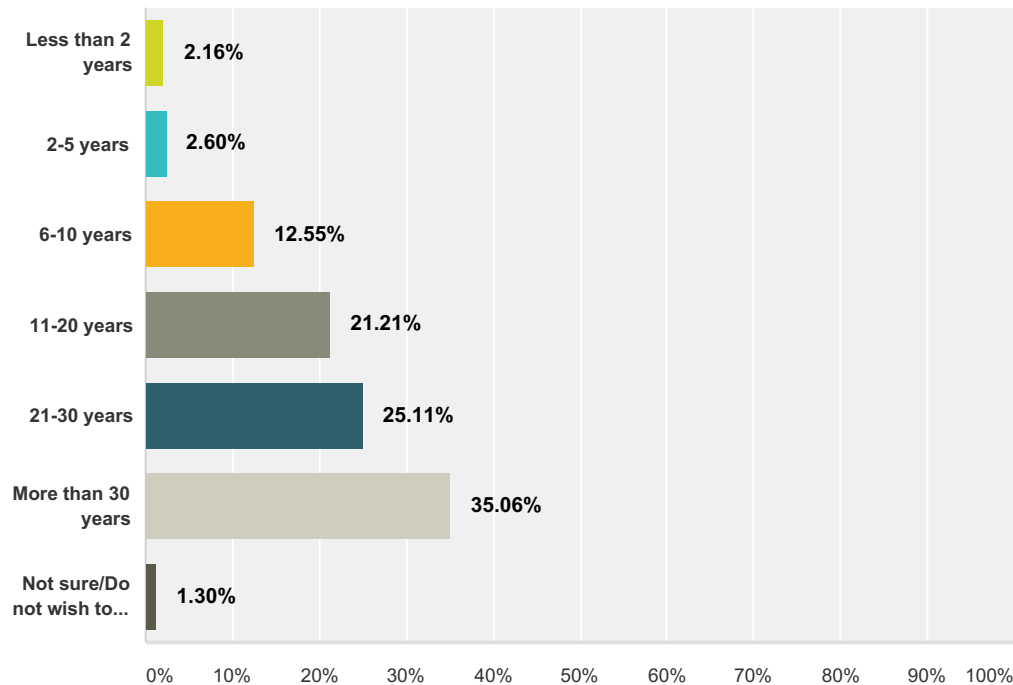
Answer Choices	Responses	
Corporate Management (Includes Owner)	73.59%	170
General Management/Supervisor/Site manager	15.58%	36
Sales/Business development	5.63%	13
Operations	3.03%	7
Support staff	2.16%	5
Total		231

What type of organization is the business?

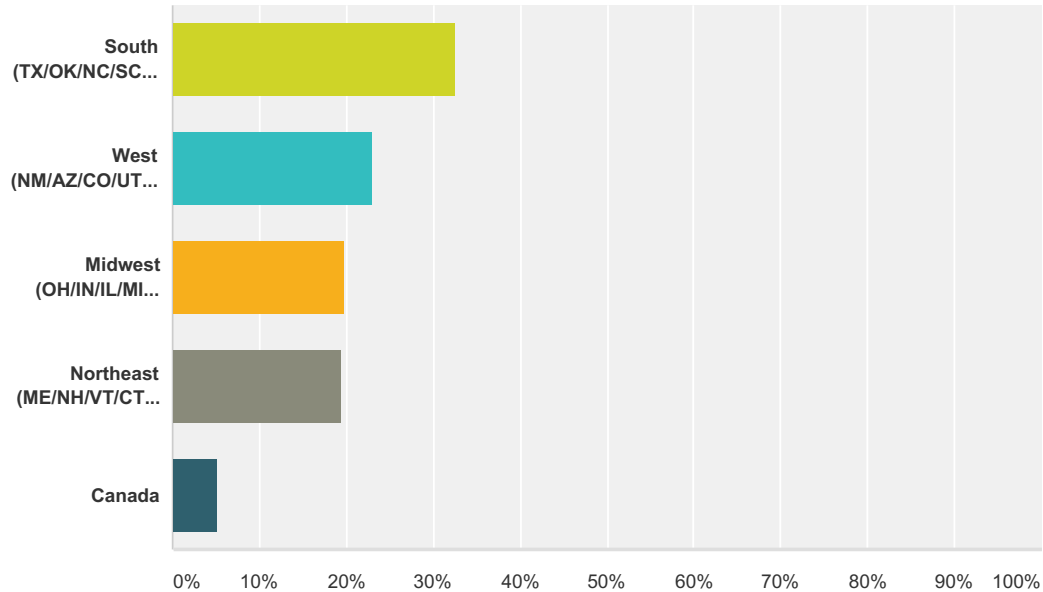


Answer Choices	Responses
S-Corp	27.71% 64
Privately held corporation	27.27% 63
L.L.C.	21.65% 50
Sole proprietorship	12.99% 30
Publicly held corporation	8.23% 19
Partnership	2.16% 5
Total	231

How many years has the company been in the cleaning industry?

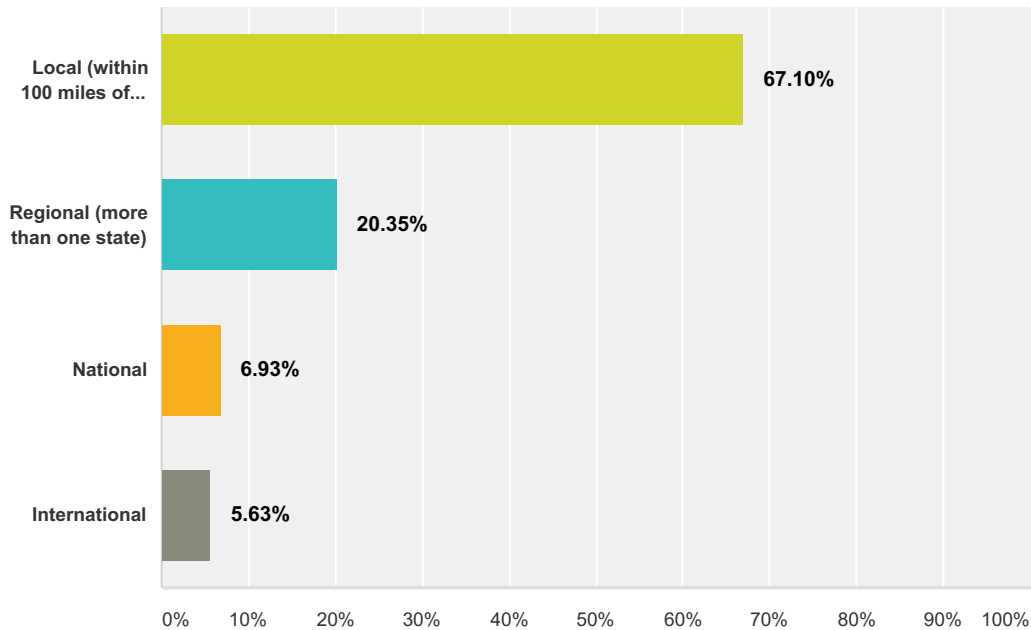


In which geographical region is the business headquartered?

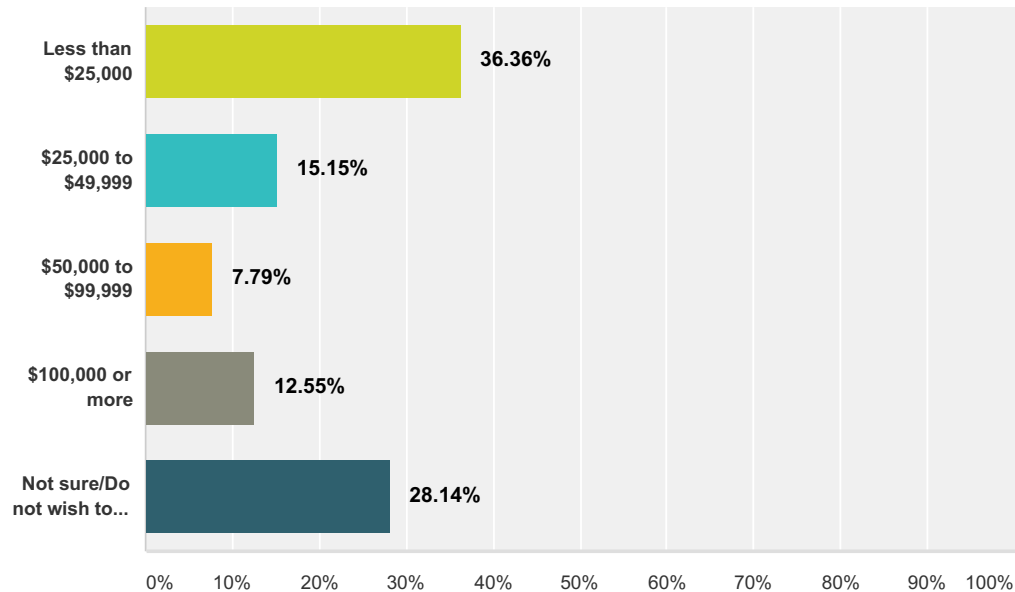


Answer Choices	Responses	
South (TX/OK/NC/SC/GA/FL/TN/AL/MS/AR/LA/KY/WV/VA/DC)	32.47%	75
West (NM/AZ/CO/UT/WY/MT/ID/WA/OR/NV/CA/AK/HI)	22.94%	53
Midwest (OH/IN/IL/MI/WI/MN/ND/SD/IA/NE/KS/MO)	19.91%	46
Northeast (ME/NH/VT/CT/MA/RI/NY/PA/NJ/DE/MD)	19.48%	45
Canada	5.19%	12
Total		231

What geographic area(s) does the business serve?

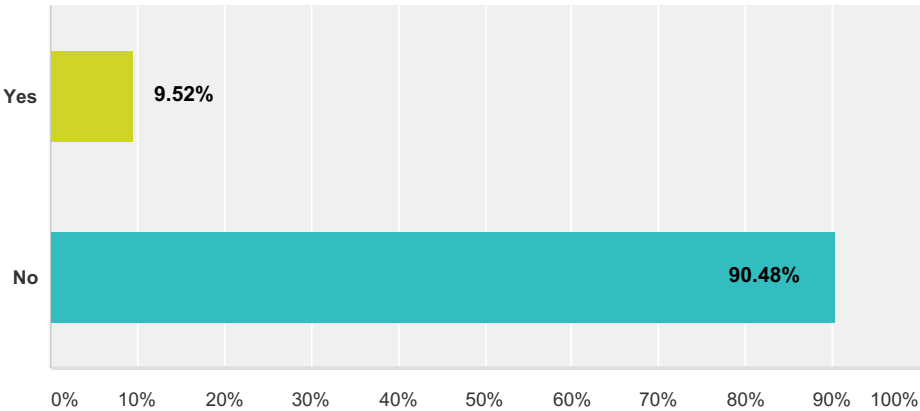


**What were the approximate start-up costs
(in U.S. Dollars) for the cleaning business
(or for this portion of the broader
business)?**

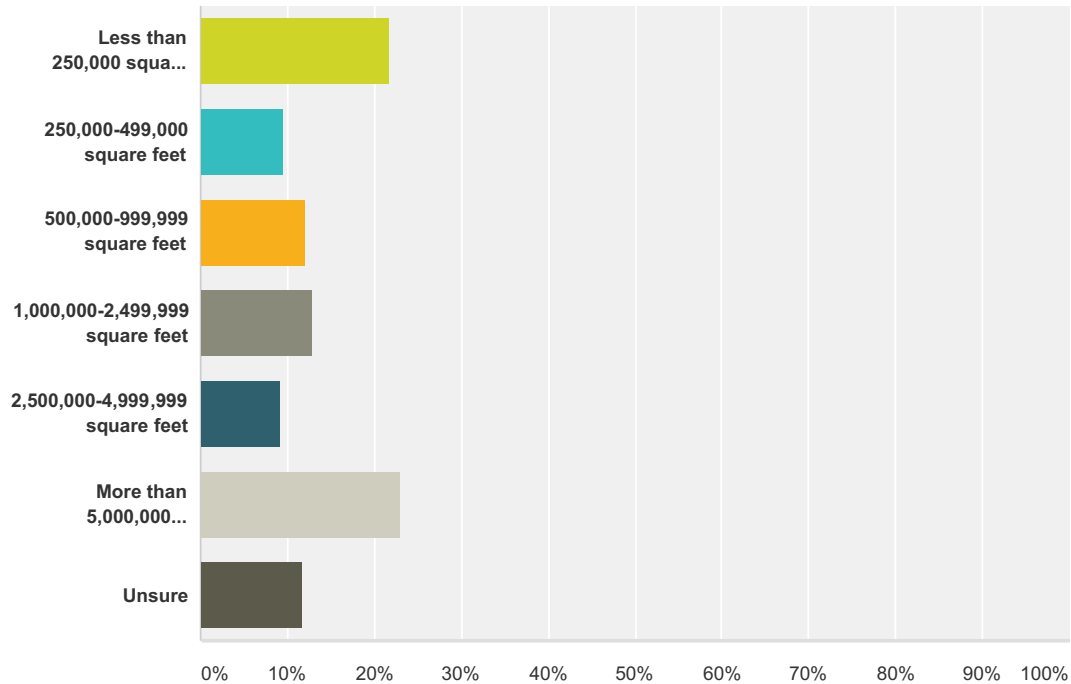


Answer Choices	Responses	
Less than \$25,000	36.36%	84
\$25,000 to \$49,999	15.15%	35
\$50,000 to \$99,999	7.79%	18
\$100,000 or more	12.55%	29
Not sure/Do not wish to specify	28.14%	65
Total		231

Is this business a franchise?

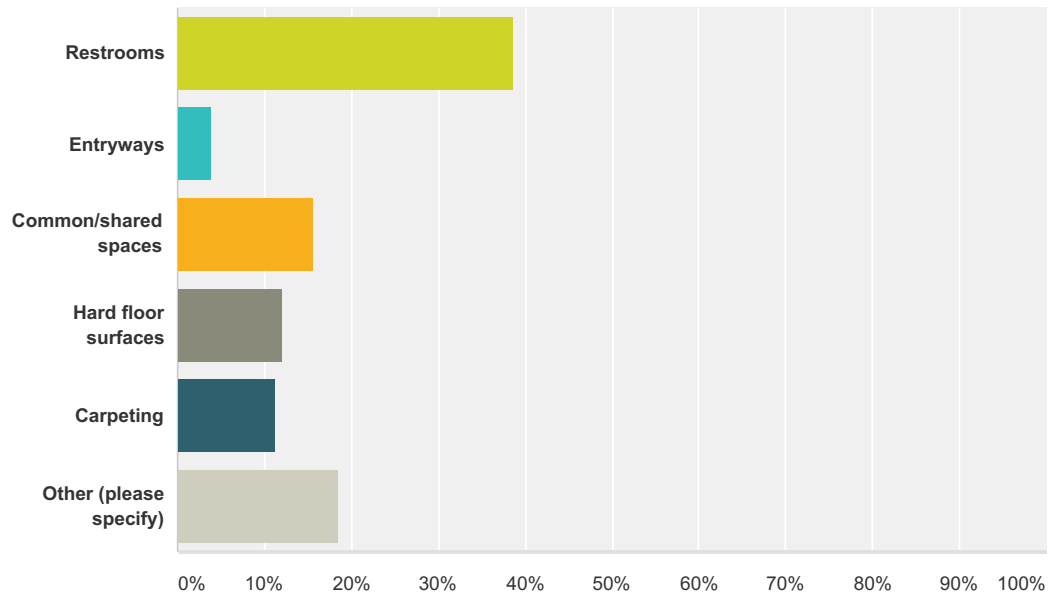


What is the total square footage the company is responsible for cleaning on a MONTHLY basis?



Answer Choices	Responses
Less than 250,000 square feet	21.65% 50
250,000-499,000 square feet	9.52% 22
500,000-999,999 square feet	12.12% 28
1,000,000-2,499,999 square feet	12.99% 30
2,500,000-4,999,999 square feet	9.09% 21
More than 5,000,000 square feet	22.94% 53
Unsure	11.69% 27
Total	231

Which of the following areas/surfaces do you receive the most complaints about from your customers?



Answer Choices	Responses	
Restrooms	38.53%	89
Entryways	3.90%	9
Common/shared spaces	15.58%	36
Hard floor surfaces	12.12%	28
Carpeting	11.26%	26
Other (please specify)	18.61%	43
Total		231

Which of the following services do you provide IN ADDITION to typical cleaning services, and which do you subcontract?

	Provide service	Subcontract service	N/A	Total
Stripping/recoating hard floors	86.28% 195	6.64% 15	7.08% 16	226
Restorative/deep cleaning carpets	84.44% 190	9.33% 21	6.22% 14	225
Restroom supplies management	77.52% 169	4.59% 10	17.89% 39	218
Window cleaning	63.80% 141	24.89% 55	11.31% 25	221
Clean room (sensitive environments)	55.45% 117	5.69% 12	38.86% 82	211
Polishing/restoring stone and marble surfaces	43.13% 91	22.27% 47	34.60% 73	211
Entry mat service	33.17% 68	23.90% 49	42.93% 88	205
Remediation/restoration services	32.51% 66	25.62% 52	41.87% 85	203

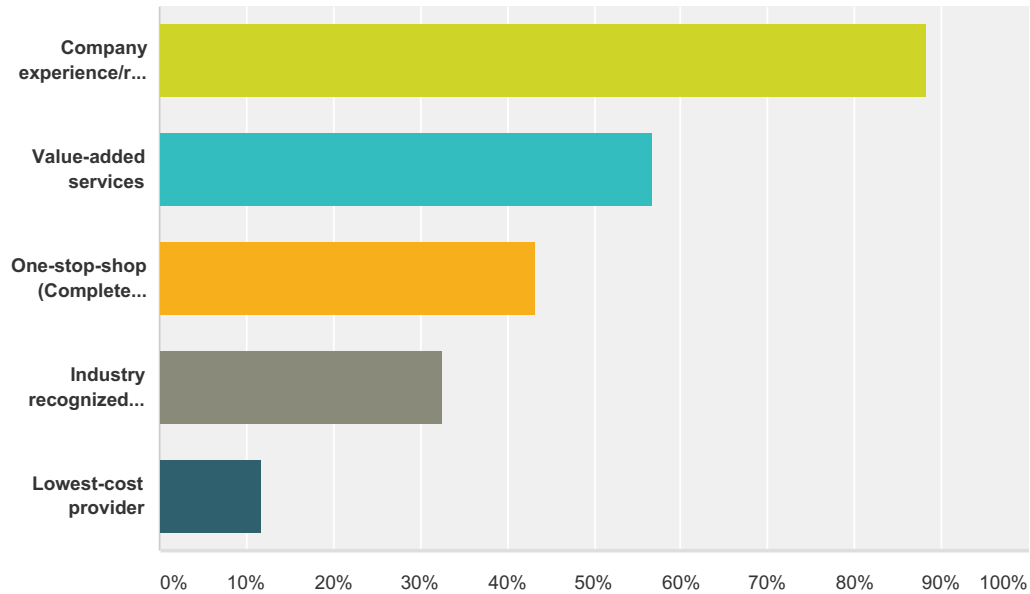
**In addition to your cleaning services, which
of the following facility maintenance
services do you offer?**

Answer Choices	Responses	
Exterior maintenance (sidewalks, etc.)	44.59%	103
Lightbulb replacement/relamping	44.59%	103
None, we ONLY provide cleaning services	34.20%	79
Grounds care	30.30%	70
Painting	26.41%	61
Snow removal	23.81%	55
Preventive maintenance/building systems	17.75%	41
Building(s) security	12.55%	29
Laundry operations	12.12%	28
Pest control	11.26%	26
Total Respondents: 231		

Rate the following challenges as they pertain to your business.

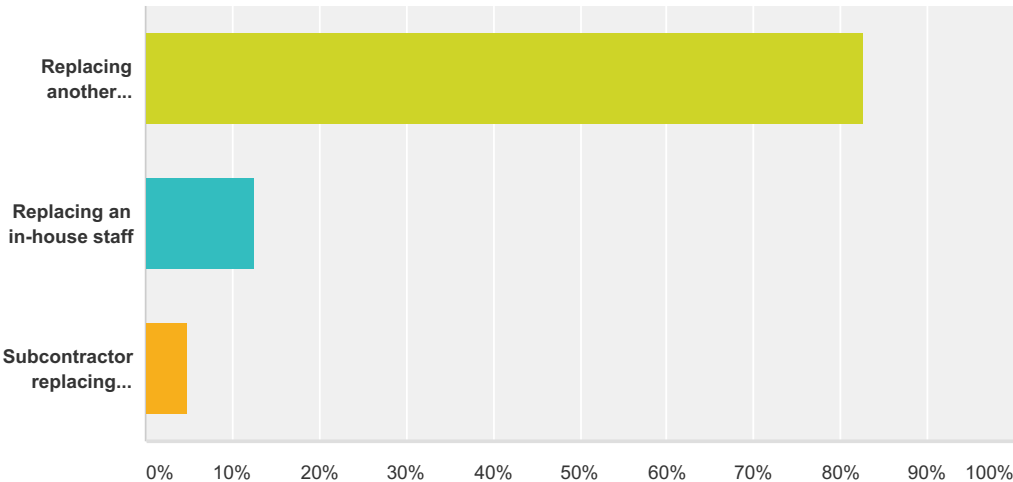
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	N/A	Total
Recruiting and retaining quality staff	51.08% 118	34.20% 79	7.36% 17	3.03% 7	1.73% 4	2.60% 6	231
Maintaining profitable margins	42.61% 98	35.65% 82	14.35% 33	3.04% 7	2.17% 5	2.17% 5	230
Winning new bids/contracts	33.48% 77	36.09% 83	22.17% 51	4.35% 10	1.30% 3	2.61% 6	230
Communicating the value of clean	31.00% 71	39.30% 90	20.96% 48	6.55% 15	1.31% 3	0.87% 2	229
Customer retention	27.75% 63	22.91% 52	25.99% 59	13.22% 30	7.93% 18	2.20% 5	227
Validating cleaning results	23.58% 54	31.88% 73	24.89% 57	10.92% 25	6.11% 14	2.62% 6	229

How do you differentiate your company and services to win bids/contracts?



Answer Choices	Responses	
Company experience/reputation	88.31%	204
Value-added services	56.71%	131
One-stop-shop (Complete integrated facility services)	43.29%	100
Industry recognized certifications	32.47%	75
Lowest-cost provider	11.69%	27
Total Respondents: 231		

Which of the following typically represents your NEW accounts?

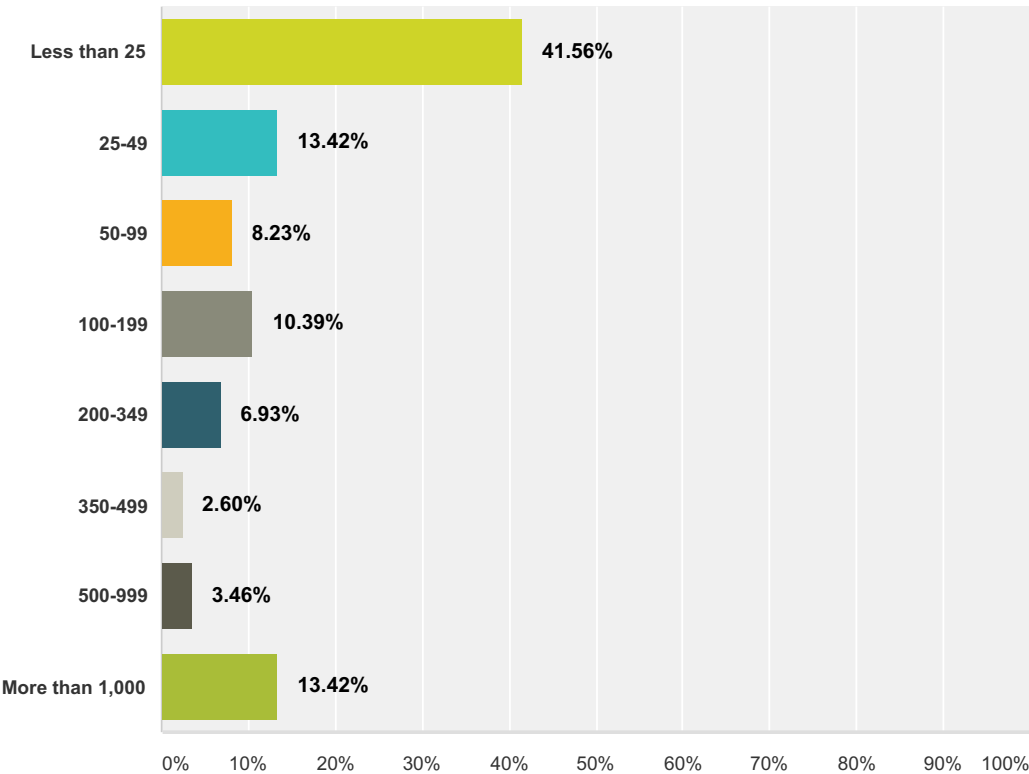


Answer Choices	Responses	
Replacing another BSC/janitorial firm	82.68%	191
Replacing an in-house staff	12.55%	29
Subcontractor replacing portion of in-house staff	4.76%	11
Total		231

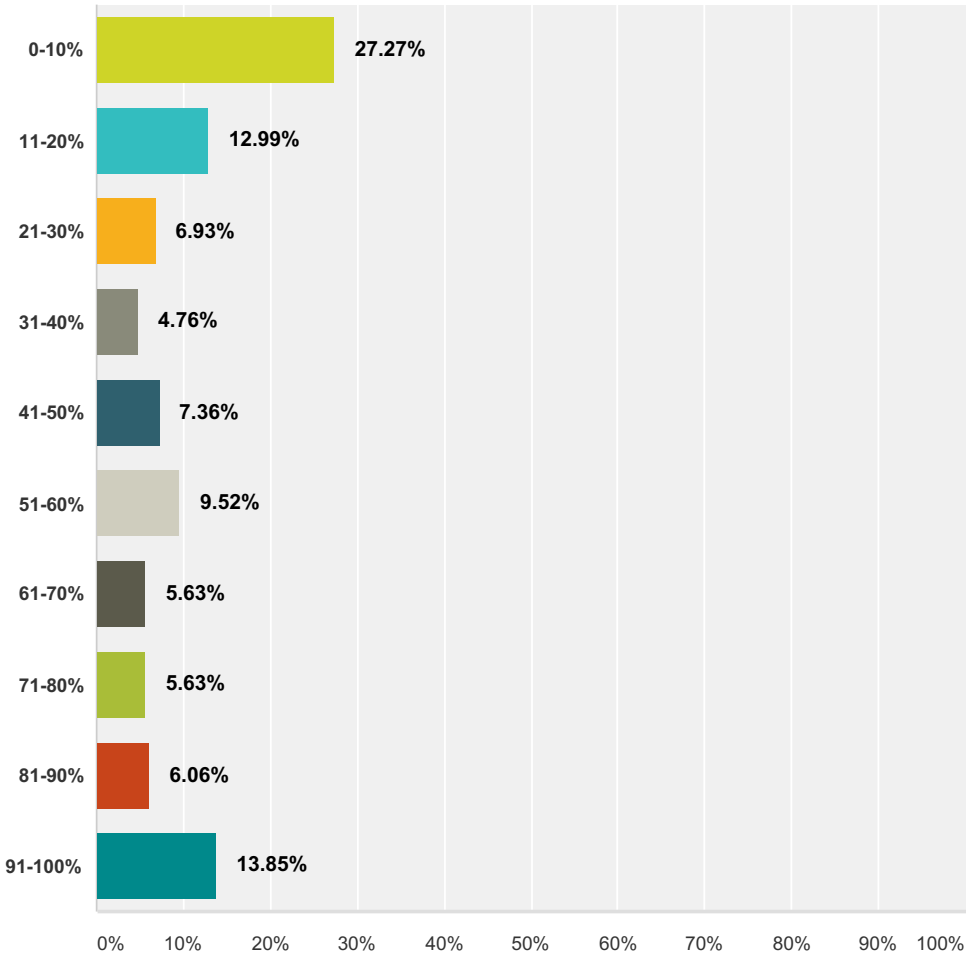
Rate the importance of the following criteria for your customers.

	Very important	Somewhat important	Neutral	Less important	Not important	N/A	Total
Improving facility image	66.23% 153	24.24% 56	6.06% 14	0.43% 1	0.43% 1	2.60% 6	231
Health, safety, and security of buildings and tenants	47.62% 110	32.47% 75	12.99% 30	2.60% 6	0.00% 0	4.33% 10	231
Reducing overall cleaning costs	43.91% 101	35.22% 81	12.17% 28	6.52% 15	1.30% 3	0.87% 2	230
Tenant retention	43.23% 99	23.58% 54	20.09% 46	3.93% 9	1.75% 4	7.42% 17	229
Asset preservation	36.09% 83	28.70% 66	22.17% 51	6.52% 15	1.74% 4	4.78% 11	230
Sustainable/green initiatives	21.49% 49	28.51% 65	32.02% 73	11.40% 26	4.39% 10	2.19% 5	228
Reducing number of service contractors	20.09% 46	34.50% 79	25.76% 59	10.04% 23	2.62% 6	6.99% 16	229

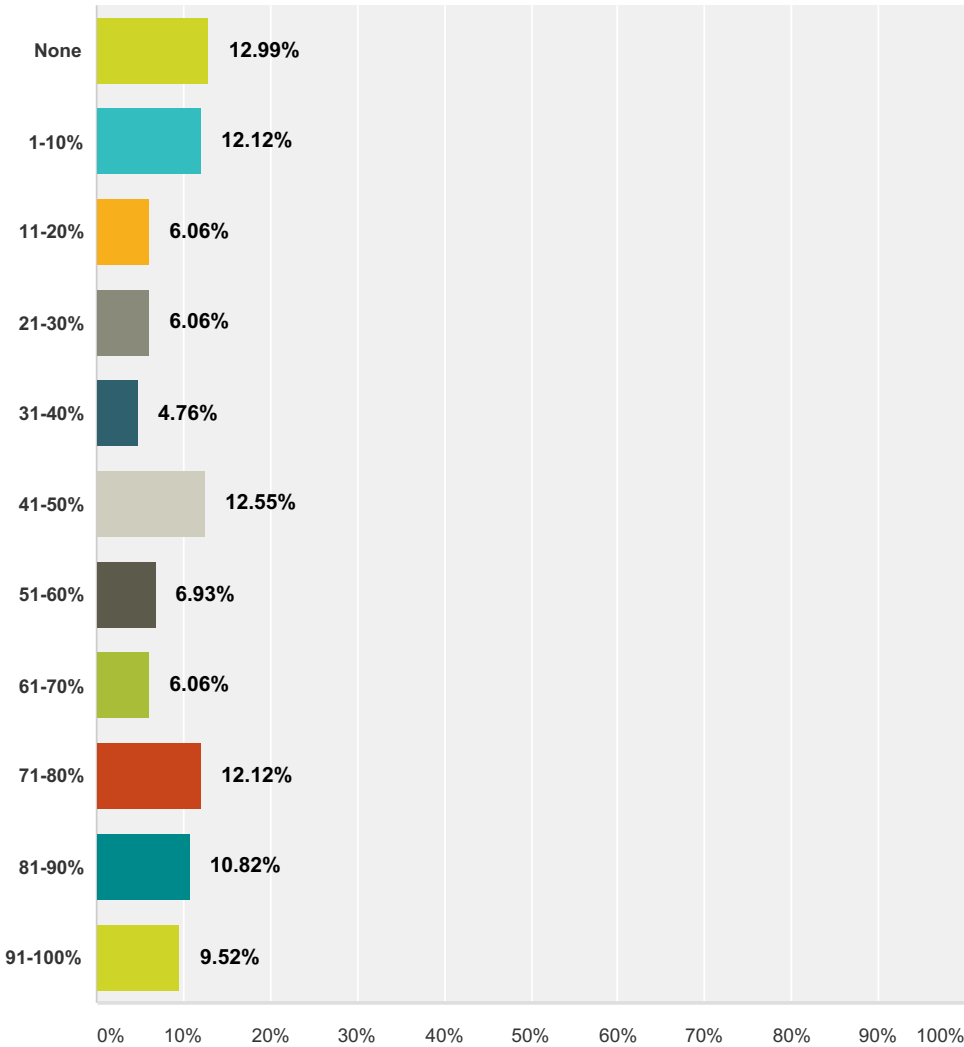
What is the total number of employees that work for the company?



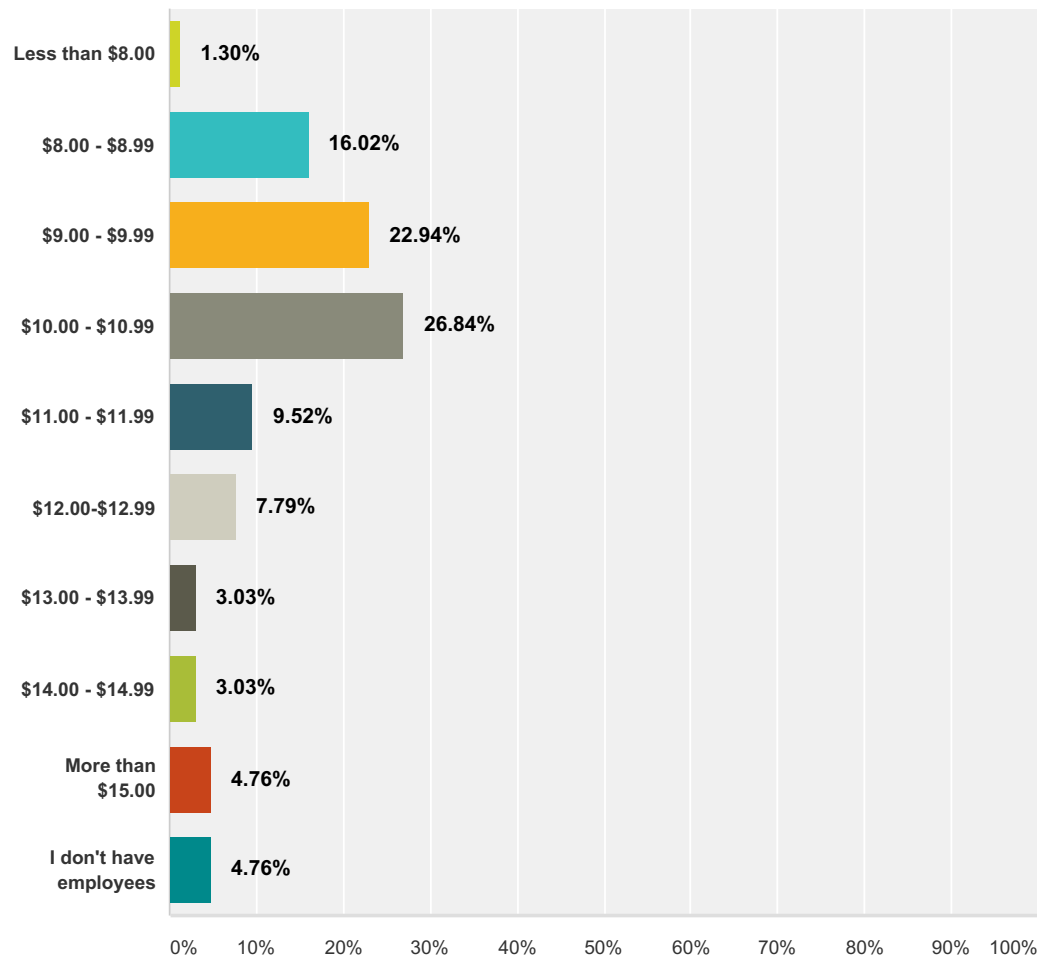
What percentage of employees are Full-Time employees for the company?



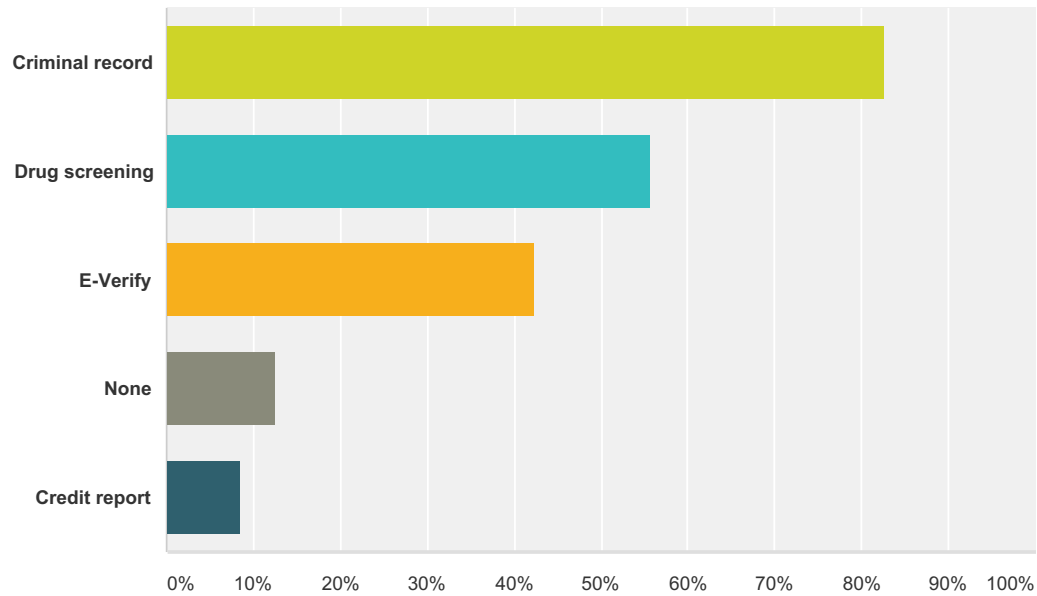
What percentage of employees are
Part-Time employees for the company?



What **STARTING** hourly wage do you pay
an entry-level cleaner?

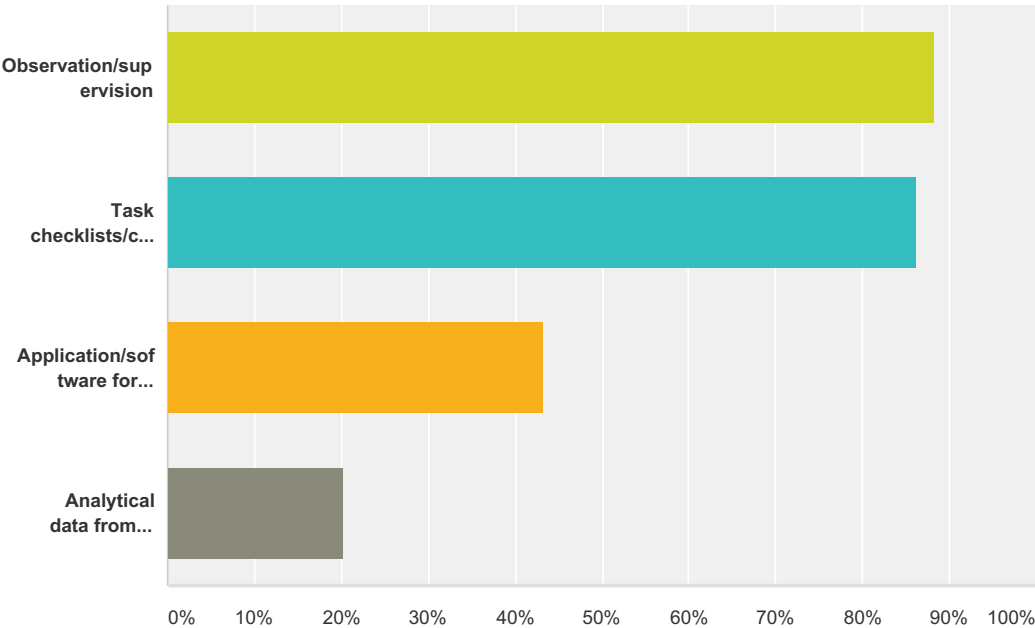


What background checks do you use during the hiring process?



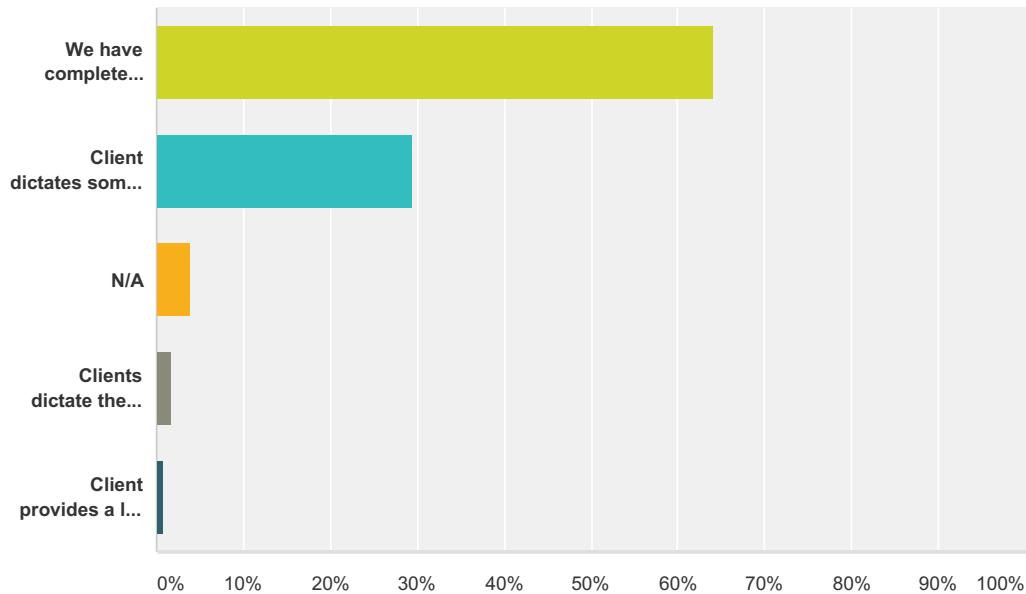
Answer Choices	Responses	
Criminal record	82.68%	191
Drug screening	55.84%	129
E-Verify	42.42%	98
None	12.55%	29
Credit report	8.66%	20
Total Respondents: 231		

What type(s) of quality assurances do you implement in your business?



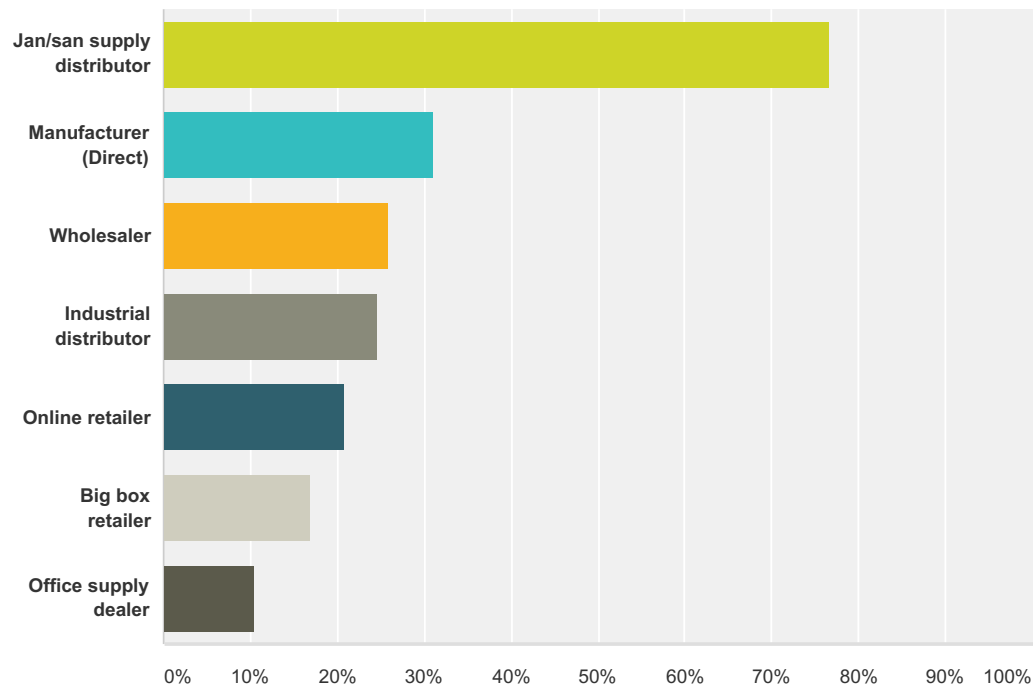
Answer Choices	Responses	
Observation/supervision	88.31%	204
Task checklists/cleaning schedule	86.15%	199
Application/software for mobile devices	43.29%	100
Analytical data from equipment/tools	20.35%	47
Total Respondents: 231		

Typically, how much control does your company have over specifying brands and products utilized in your customers' facilities?



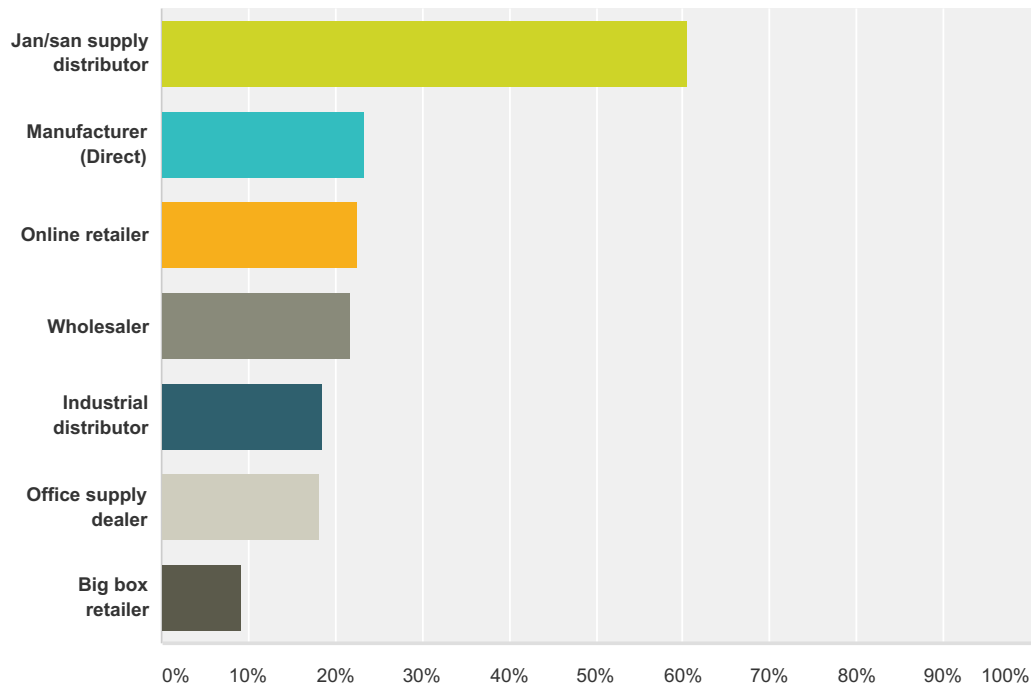
Answer Choices	Responses	
We have complete control over equipment and supplies	64.07%	148
Client dictates some specifics, but we control the majority of products used	29.44%	68
N/A	3.90%	9
Clients dictate the brands, equipment, and supplies that MUST be used in their facilities	1.73%	4
Client provides a list of options, and from that, we select which equipment and supplies to use in their facilities	0.87%	2
Total		231

From whom do you purchase cleaning/ maintenance products?



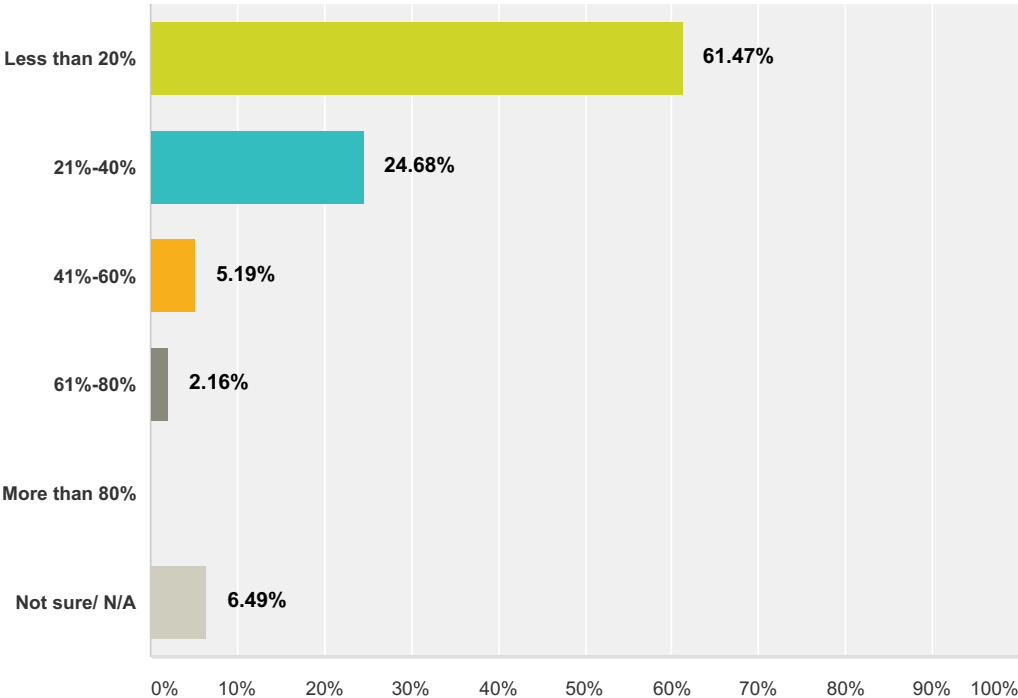
Answer Choices	Responses	
Jan/san supply distributor	76.62%	177
Manufacturer (Direct)	31.17%	72
Wholesaler	25.97%	60
Industrial distributor	24.68%	57
Online retailer	20.78%	48
Big box retailer	16.88%	39
Office supply dealer	10.39%	24
Total Respondents: 231		

When purchasing cleaning/maintenance products, from which of the following sources do you purchase ONLINE?

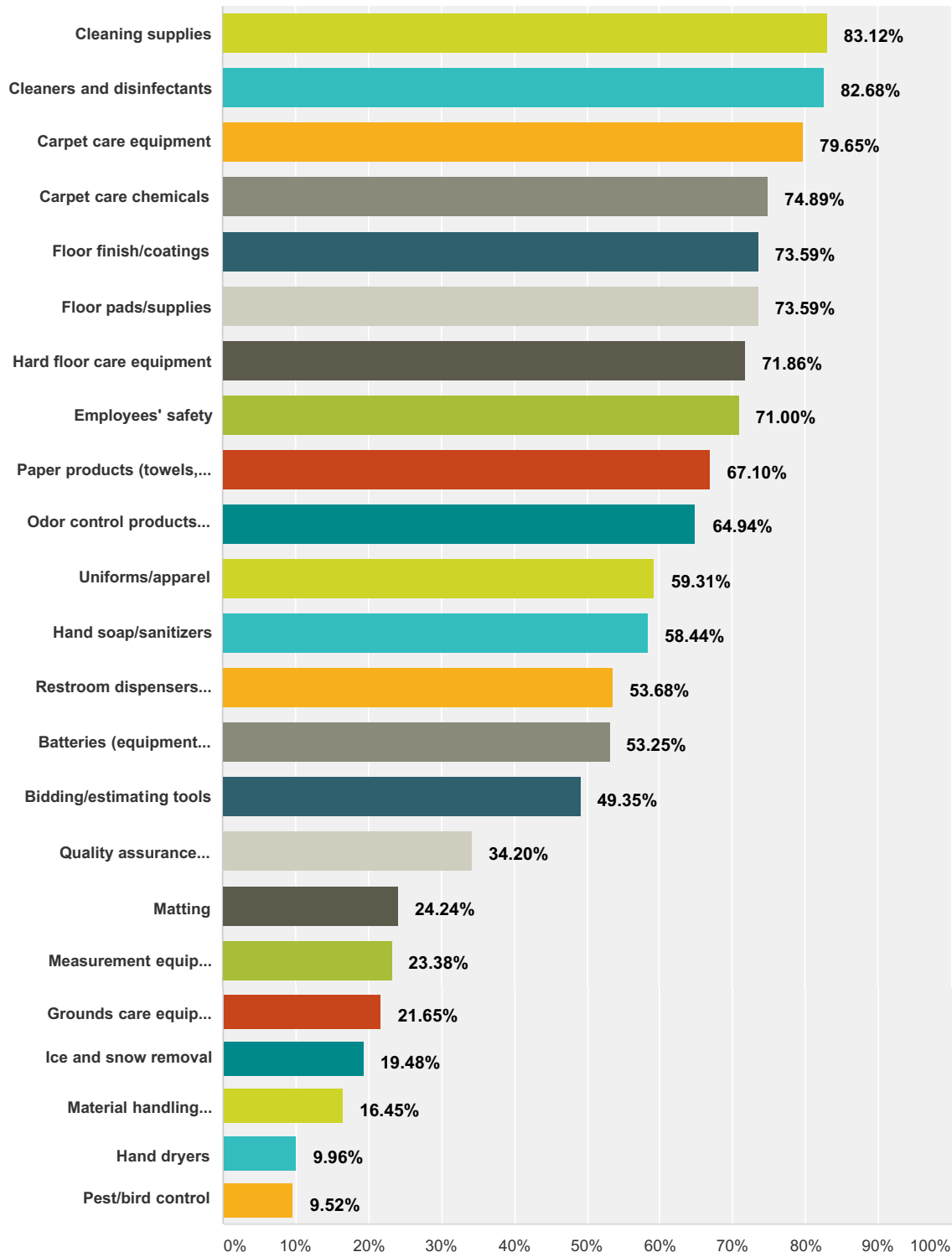


Answer Choices	Responses	
Jan/san supply distributor	60.61%	140
Manufacturer (Direct)	23.38%	54
Online retailer	22.51%	52
Wholesaler	21.65%	50
Industrial distributor	18.61%	43
Office supply dealer	18.18%	42
Big box retailer	9.09%	21
Total Respondents: 231		

What percentage of your operating budget is spent on cleaning/maintenance equipment and supplies (purchase and maintenance)?

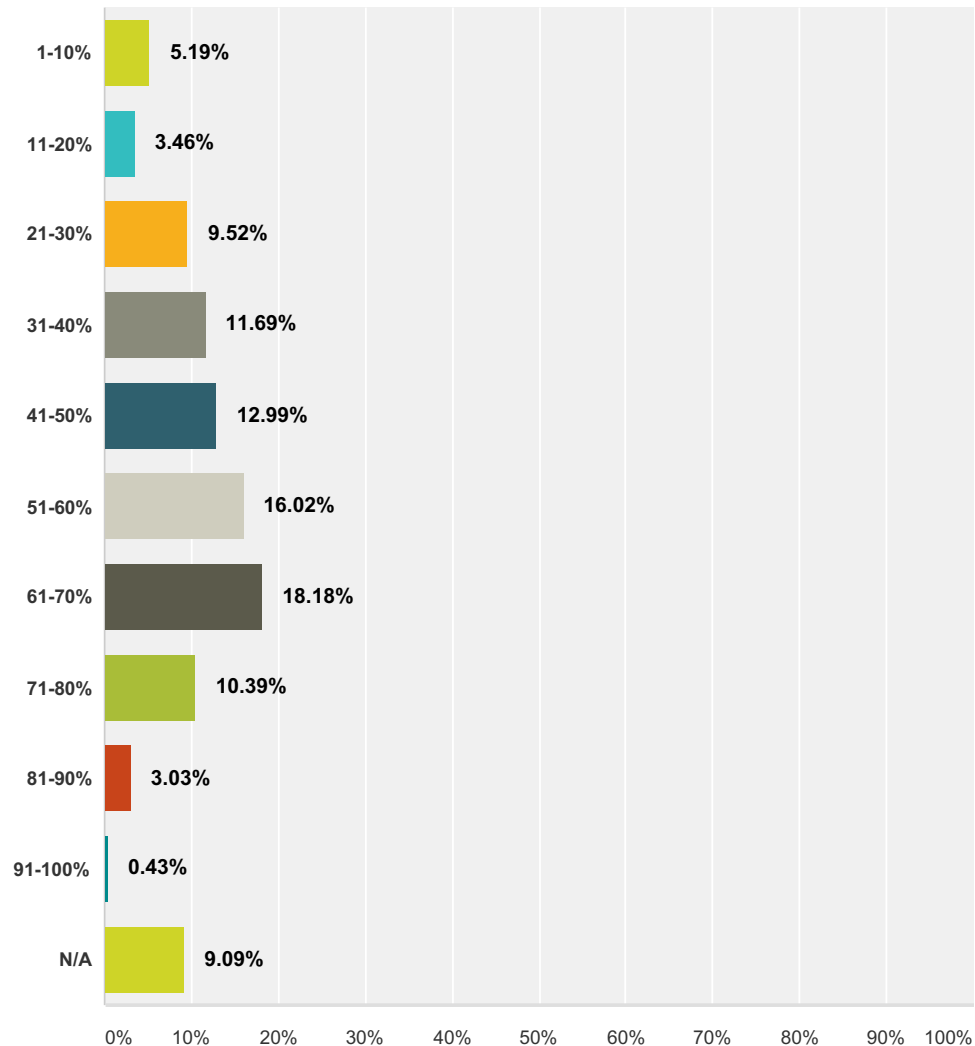


Which of the following products are you responsible for purchasing?

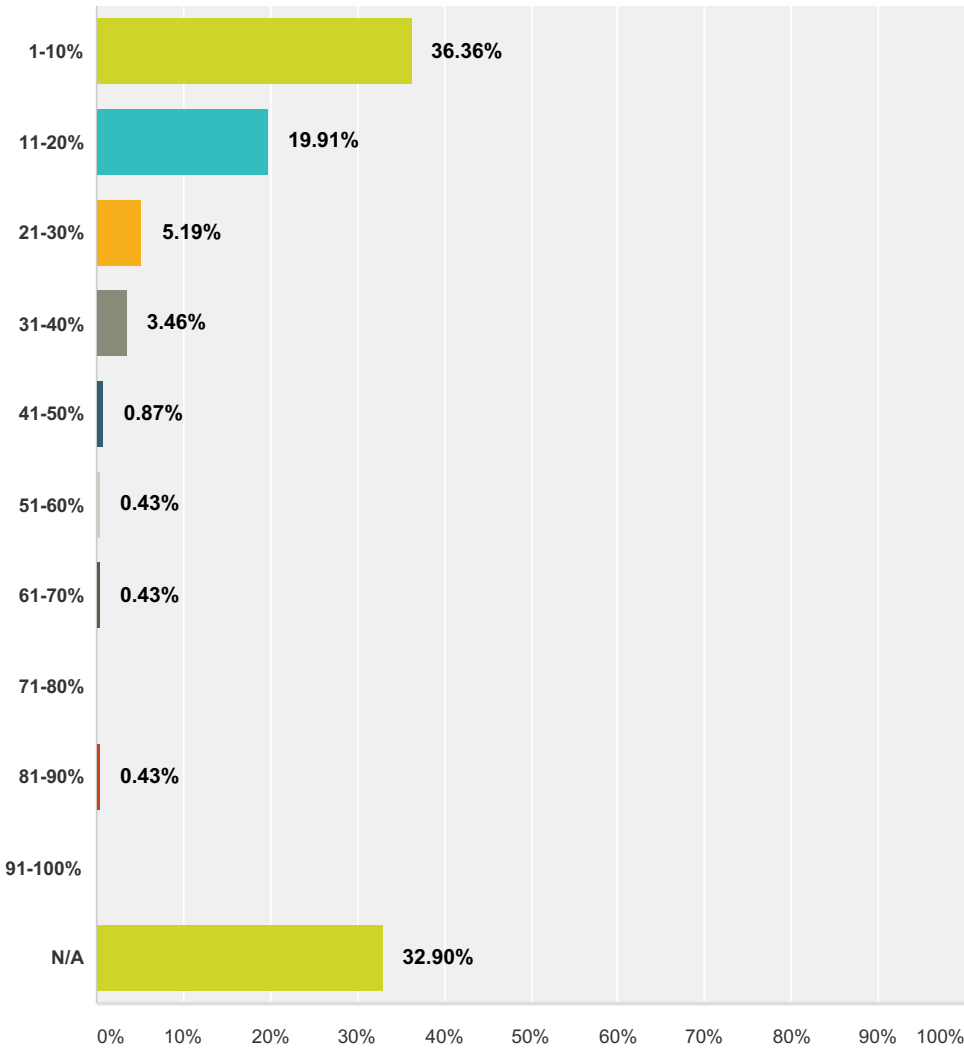


CMM 2016 BSC/Contract Cleaning Survey

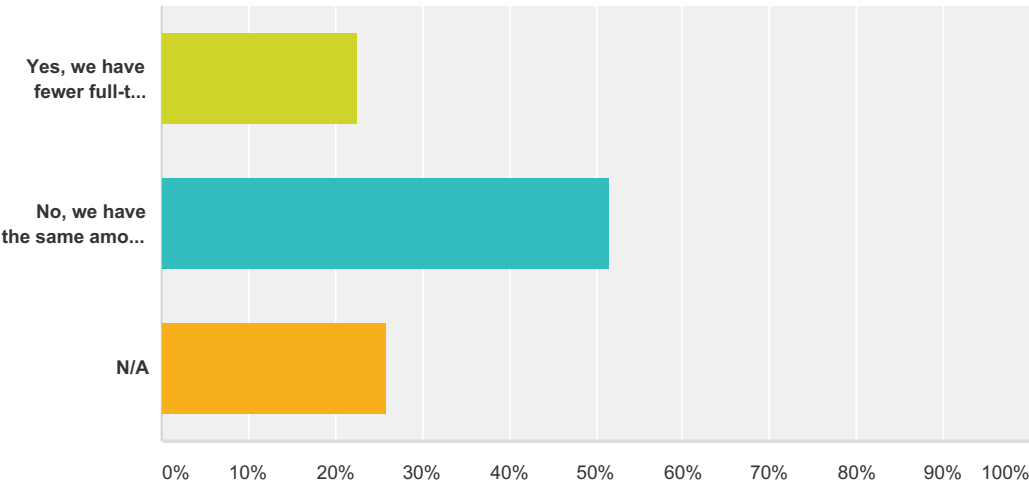
**On AVERAGE, estimate your total costs for
labor (wages and benefits) as a percentage
of your overall operating costs.**



What percentage of your overall operating costs is health care expense?

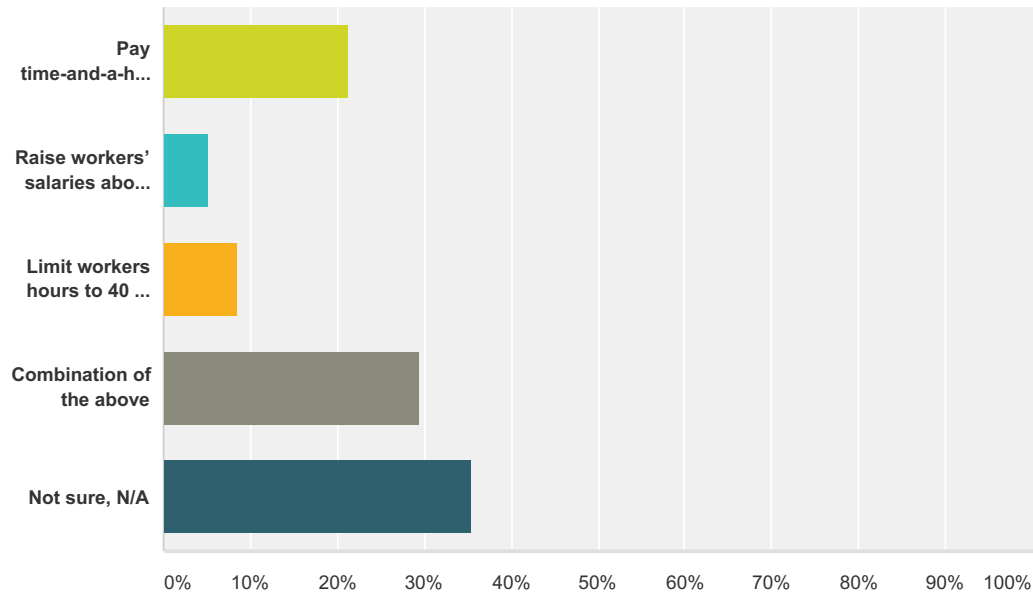


Has the percentage of full-time employees
you employ changed due to the
Affordable Care Act (ACA)?



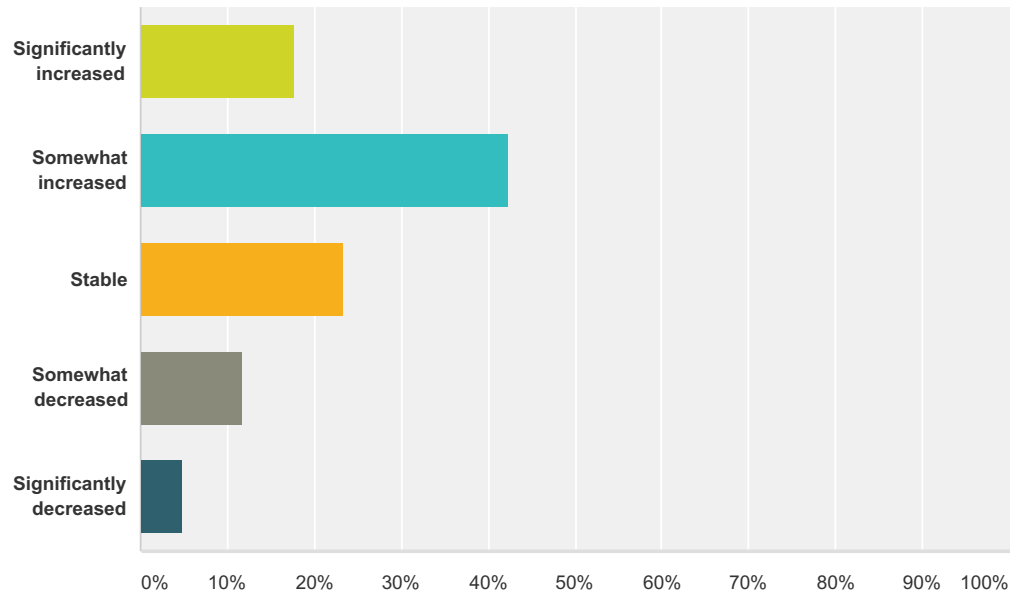
Answer Choices	Responses	
Yes, we have fewer full-time employees	22.51%	52
No, we have the same amount of full-time employees	51.52%	119
N/A	25.97%	60
Total		231

What is your company's plan to meet the Fair Labor Standards Act's minimum wage and overtime pay regulations for salaried employees?



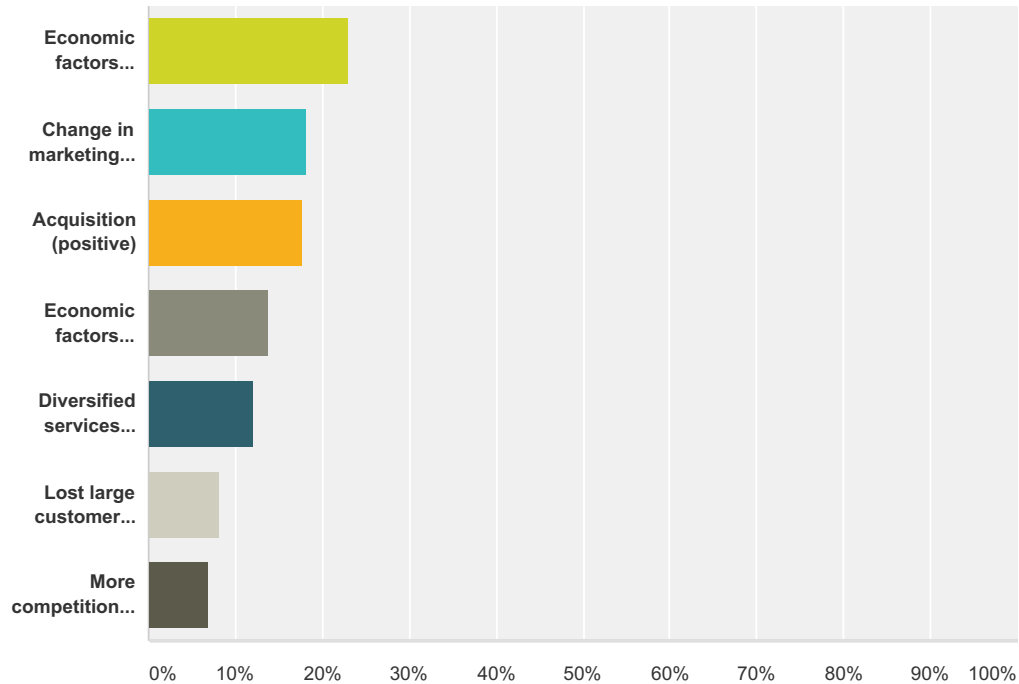
Answer Choices	Responses	
Pay time-and-a-half for overtime work to those who qualify	21.21%	49
Raise workers' salaries above the new threshold	5.19%	12
Limit workers hours to 40 per week	8.66%	20
Combination of the above	29.44%	68
Not sure, N/A	35.50%	82
Total		231

Please tell us how your 2015 revenues compared with the previous year by completing this statement: "Compared to 2014, my 2015 revenues were..."



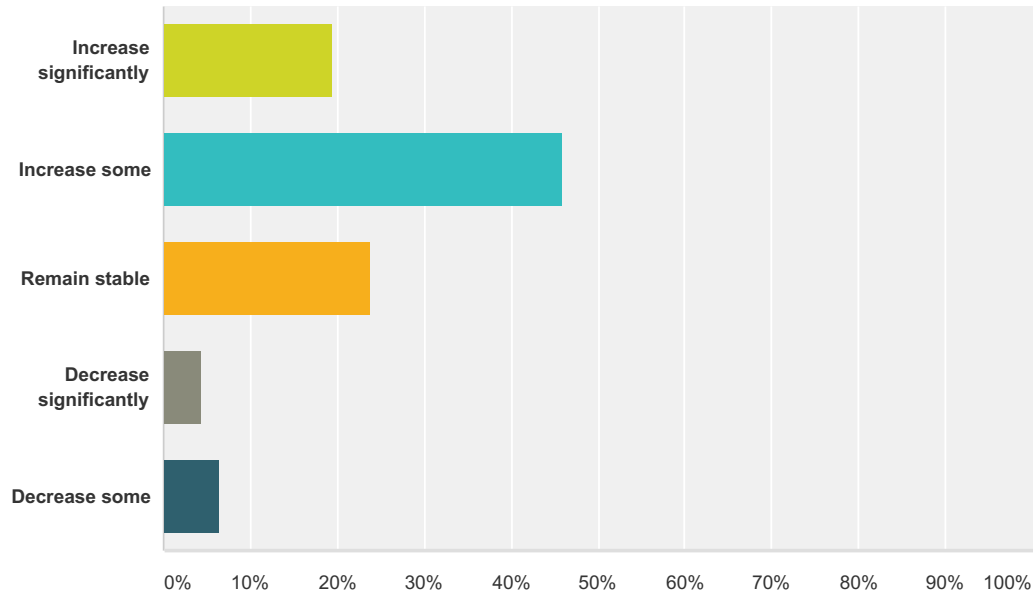
Answer Choices	Responses	
Significantly increased	17.75%	41
Somewhat increased	42.42%	98
Stable	23.38%	54
Somewhat decreased	11.69%	27
Significantly decreased	4.76%	11
Total		231

What was the biggest factor affecting revenues in the previous question?



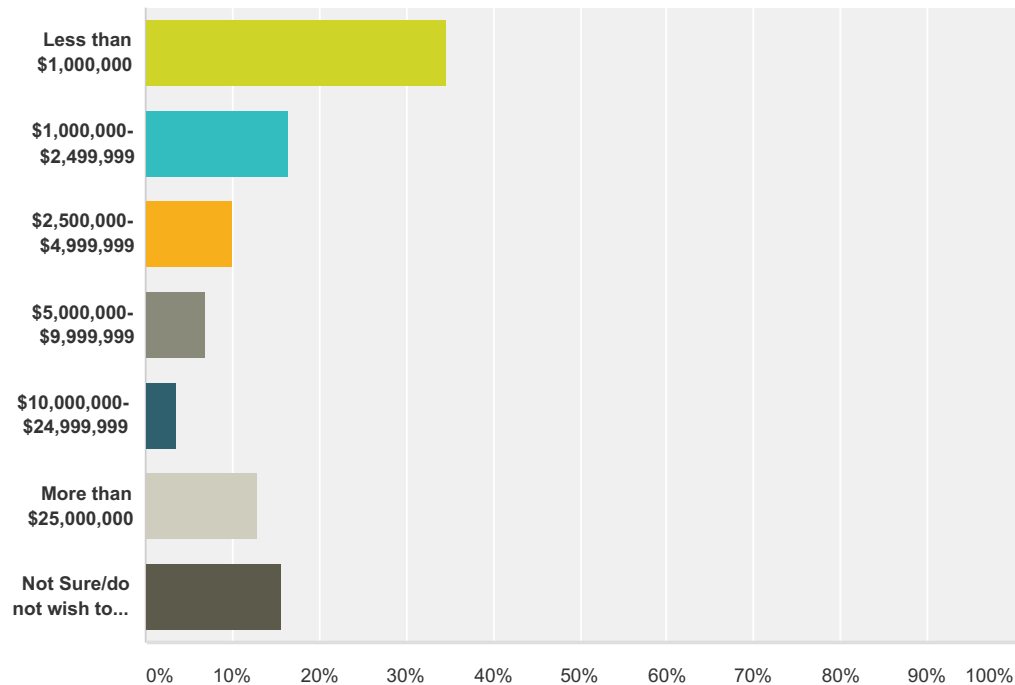
Answer Choices	Responses	
Economic factors (positive)	22.94%	53
Change in marketing strategy (positive)	18.18%	42
Acquisition (positive)	17.75%	41
Economic factors (negative)	13.85%	32
Diversified services offered (positive)	12.12%	28
Lost large customer (negative)	8.23%	19
More competition (negative)	6.93%	16
Total		231

**Tell us your prediction for 2016
revenues by completing the statement:
"Compared to 2015, I expect 2016 revenues to..."**



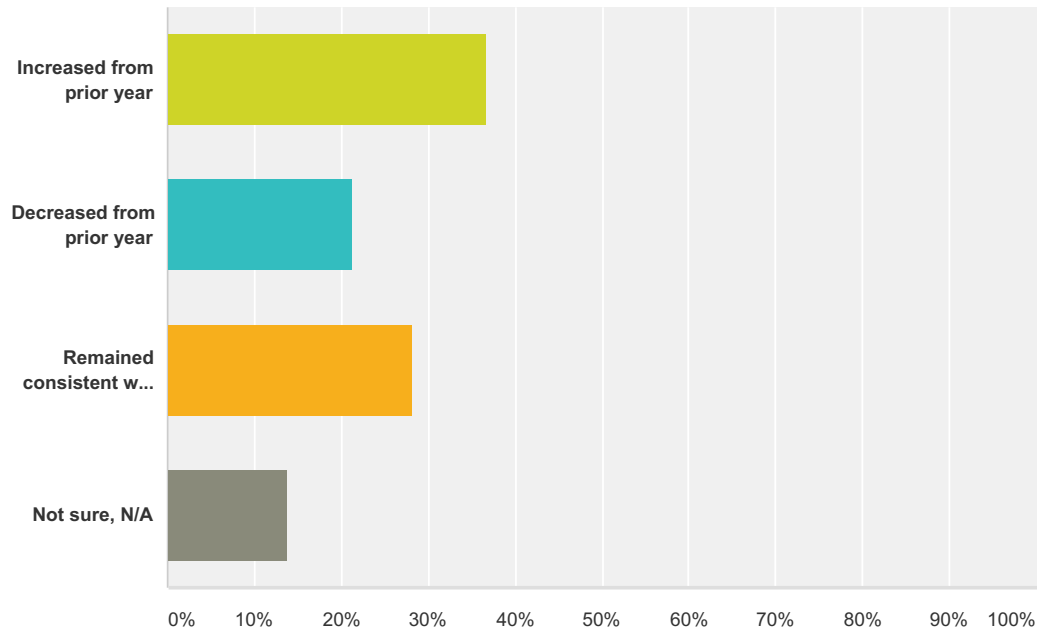
Answer Choices	Responses
Increase significantly	19.48% 45
Increase some	45.89% 106
Remain stable	23.81% 55
Decrease significantly	4.33% 10
Decrease some	6.49% 15
Total	231

Estimate the company's total GROSS revenue for 2015.



Answer Choices	Responses	
Less than \$1,000,000	34.63%	80
\$1,000,000-\$2,499,999	16.45%	38
\$2,500,000-\$4,999,999	9.96%	23
\$5,000,000-\$9,999,999	6.93%	16
\$10,000,000-\$24,999,999	3.46%	8
More than \$25,000,000	12.99%	30
Not Sure/do not wish to specify	15.58%	36
Total		231

How did your GROSS margin vary when comparing 2014 and 2015?



Answer Choices	Responses	
Increased from prior year	36.80%	85
Decreased from prior year	21.21%	49
Remained consistent with prior year	28.14%	65
Not sure, N/A	13.85%	32
Total		231