

Janitorial Services

Vital Information

Start-Up Investment

Low - \$4000 (solo operator)

High - \$75,000 (buying a small operation or starting with a half dozen employees)

Break-even time - One month to two years

Estimate of Annual Revenue and Profit

Revenue \$50,000 - \$15 million (one person operation at low end, regional contractor at high end)

Profit (Pre-tax) - \$35,000 - \$1.5 million

Cleaning Up

The janitorial services industry is one of the fastest growing industries in the United States, according to the Building Service Contractors Association International. With the ever-increasing number of buildings to clean, the U.S. Department of Labor predicts at 15.1% increase in janitors by 1995 when the total will hit 3.38 million. It is being predicted that outside contractors will cover 30% of the market.

Most banks and insurance companies (and many other types of commercial accounts) don't want to spend their time hiring and supervising cleaning crews. They don't want to deal with the problems inherent to this industry, such as the extraordinarily high turn-over ratio. But a client's unwillingness to handle the problems is what makes this industry so potentially profitable and attractive as a start up business for you.

Start-Up Costs

Most janitorial service companies bill at the end of a month of service, so you

will have enough capital to procure equipment and supplies for the first month to six weeks of service. If you are planning to start with more than one contract and you want to do it right, you'll probably need at least \$50,000 in seed money and the same amount in a line-of-credit to help you grow. A lot of your start-up money will go for heavy-duty cleaning equipment.

If you are willing to start smaller and grow more slowly, you can probably start for a lot less. If you do all the cleaning and marketing yourself and use your home as your office, you can get your business started on a wing and a prayer. Some individuals start out part time, holding on to their full time jobs and cleaning at night and expanding contract by contract.

Profits will probably be higher percentage when you begin because your overhead will be so low, involving only supplies, equipment and lining up contracts. As you expand and add other cleaners, you cut your profits in half and once you have hired additional cleaners, you will need supervisors, office space, and a marketing staff to keep the whole megillah going. All of this can bring your profit margin down to as low as 10%.

Branching Out

Because of these low profit figures, many contractors add other services ranging from parking lot maintenance to window washing. Many clients prefer to use the services of an already tried and true service provider rather than have to shop around. Being the "supermarket" for building maintenance services will increase your profits and help keep your clients happy.

Don't sit and wait for clients to come to you, be aggressive and don't be afraid to beat the bushes. As you move around your area, keep an eye out for real estate signs announcing new buildings and then call the landlords to find out the name of the building's tenants. When you find out who the new occupants are going to be, ask to bid on their cleaning contract.

Be very professional and thorough when submitting a proposal. Find out what unusual challenges a new client may offer, extensive brass fittings, marble floors, a special wool blend of carpeting. If you can woo a potential customer with the breadth of your expertise, you stand a much better chance of landing a lucrative contract.

You may want to staff specialists in particular areas, for example floor refinishing of sterile rooms (for computer rooms). Even if a potential client has an in-house cleaning staff, you may be able to provide specialty services they are in need of.

Worker, Worker, Who's got the Worker

Be prepared! The turnover ratio industry is 200 to 300 percent a year. Your staff will often consist of transients -- students or part-timers -- few people see janitorial work as a long-term career. They will quit working for you any time a better opportunity comes along. If you are able to accept this condition as a fact rather than a problem, and work within the parameters involved, you can make a success of your janitorial business.

You will probably have to spend as much or more effort recruiting new employees as you do looking for new clients. You may want to offer your employees monetary incentives when they recommend friends or relatives who are hired and stay for a set period of time... State employment agencies may also be a good source for potential employees.

You will probably acquire a number of your cleaning contracts because of this problem. Your clients couldn't deal with the high turnover ratio and decided to hire you to deal with this headache. Your ability to do so will be a large factor in your success.

You may be able to retain some of your people for longer periods of time if you pay higher wages and train for advancement. Perhaps you can supply transportation to more remote locales or give travel allowances to employees commuting a long distances from their homes. Recognition and praise can also be a contributing factor for retaining handicapped and older workers.

If you send your workers out in teams, you may be able to alleviate some of the monotony by rotating tasks and locations. But be prepared! Getting an employee in this industry to stay committed is even tougher than finding employees. Turn-over is a hard cold fact in the janitorial services industry.

Due to advancements in technology, the cleaning industry may see some drastic changes some day. Japanese factories are already using robots to sweep floors and hospitals use steam jets to sterilize operating rooms (this technology could be used for scouring bathrooms). But these changes do not loom on the near horizon and there is plenty of time and space for new janitorial services.

Roll up your sleeves and apply that elbow grease, there's a market out there for these services and it's growing all the time.

Resources

Industry Association

Building Service Contractors Association International, 8315 Lee Highway, Suite 301, Fairfax, VA 22031 (800) 368-3414

Publications

Services, 8315 Lee Highway, Suite 301, Fairfax, VA 22031 (800) 368-3414

Building Services Contractor, 10 W 31st St., New York, NY 10001 (212) 279-4455

Sanitary Maintenance Magazine, 183 Madison Ave., New York, NY 10016 (212) 685-6010

For additional information helpful in setting up your new business, information about licenses, permits, the legal structure of your business, taxes, insurance and much more refer to Business Start-Up Fact Finder Manual