



# **ADDING PROFIT CENTERS TO YOUR CLEANING BUSINESS**

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**PROFESSIONAL CLEANING REPORT**

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## **REPORT #41**

**Adding Profit Centers to Your Cleaning Business**

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## **INTRODUCTION**

In this article, I will provide business advice and guidelines to help established contractors expand or diversify the services they offer as a way of increasing profit. Diversification can be defined as offering a different type of service to an existing or new customer. Expansion would be defined as providing services related to those you already provide to an existing customer. Generally, expansion is a better way to start. It's easier to manage, more profitable and doesn't require a new customer base, as you're finding additional ways to earn more dollars from current customers.

For example, if you offer carpet cleaning, you may also offer drapery and upholstery cleaning, high pressure washing, topical treatments or other services and products related to carpet cleaning. You're already in the home or business and, assuming the customer is satisfied because you've done a good job, chances are they'd be happy to have you provide other related services as well.

This also fits in with future trends in marketing, of finding ways to get more dollars from your existing customer base instead of looking for large numbers of new customers. If you look at your existing customers over a longer period of time, they have a much greater value than just a monthly charge. If you get \$1,000 from an account on a monthly basis, the account is worth \$12,000 per year; over five years, it's worth \$60,000; over ten years the value is over 120,000 dollars. In reality, the potential value of a customer is much greater than the monthly invoice amount. If you add on increases, additional services and the company's growth potential, the value will go up considerably.

## **IS THIS CONCEPT VALID?**

One of the largest contract cleaners in the country, American Building Maintenance Industries, has been extremely successful with this approach. They concentrate on their core janitorial business, but have diversified and now offer eleven different services through independent divisions. Their goal is to be the full service property maintenance company. Once they get their foot in the door with janitorial, they sell additional services and develop other profit centers. This allows them to spread the financial risk over a greater area and to concentrate on offering services to a specific segment of the building industry.

This same approach, on a much smaller scale, when properly developed and implemented as outlined in this article, will enable you to increase your customer base, income level and profit percentage. Specializing in a certain type of service or area, such as doctor's offices or parking lots, is an effective marketing tool. When considering expansion or diversification, you may wish to operate under a separate company name, with different crews, or utilize subcontractors for each specialty when first starting.

More services will allow you to find additional opportunities for profit. Janitorial services in most areas are very competitive. To build a profitable business, you must sell additional services that can earn a higher profit percentage, in the range of 30% to 200%.

In most cases, add on services, at least in the beginning, won't generate adequate revenues on their own to be a completely independent venture. They simply can't generate enough income because most of the larger accounts are controlled by contract cleaners. They have the customers and they're going to either subcontract or buy the equipment themselves. Trying to start a carpet dyeing or blind cleaning business and make a large profit solely from it is questionable. However, as an add on service for an existing contractor with a sufficient customer base it can be very lucrative. In addition, the new service may open the door to additional accounts and it gives you another reason to contact an existing or potential customer with something new to offer.

### **ANALYSIS, RESEARCH & PLANNING**

To avoid problems and help assure success, it is important that you do the necessary analysis, research and planning before you decide to offer a new service to existing or potential customers. Let's take a more detailed look at this before we proceed.

Are you and the existing business capable of handling the demands that offering and providing a new service will create? You must have your existing business well-organized and operating both efficiently and profitably before considering expansion or diversification. Offering new services will stress your ability to perform as a manager, to market and to supervise the employees doing the work. One of the worst things you can do in a business that's having financial difficulty or management problems is to complicate an already delicate situation by attempting to do more.

Other important questions to ask yourself are:

1. Is the existing office space and support staff able to handle additional calls, correspondence, bids and invoicing?
2. To what degree will offering the new service interfere with the company's ability to provide quality service to existing customers?

You must be careful that you don't dilute your focus away from where your primary money source comes from.

3. What expenses are involved in setting up a new area?
  - A. Labor
  - B. Marketing
  - C. Overhead
  - D. Equipment and Chemicals

If you offer a new service today, how long will it be before the marketing kicks in and starts generating leads and customers? Are you looking at 10 days, 30 days, 3 months, 6 months or more? Are you in a position to financially cover costs for that period of time? It's important to answer these questions now, regarding how much and how long.

4. What is the competition like?

Don't enter a crowded field with low profit potential. The idea here is to make more money. Develop detailed business and marketing plans. Make sure this is worthwhile before you commit to increased costs for equipment, labor and marketing. If the decision is made to proceed, once you do start, monitor costs and income to prove that the profit is really there.

5. What safety, environmental and hazardous waste concerns apply? Are special permits, training or certification required?

6. What equipment and vehicles are needed? Can they be leased, rented or purchased used? How about cost, maintenance and operation?

7. Would it be better to purchase or merge with an existing business, versus starting from scratch? Many large companies, when seeking to diversify or expand, frequently buy an existing business that has a customer base, equipment and staff already in place. It's generally more difficult to start from scratch than to take over an existing operation and make it better.

8. Do you have adequate production, supervision and marketing staff to handle the increased workload, or will additional staffing be required? If you don't have the technical expertise required, where are you going to get it? Can you hire someone who has the required expertise to work for you? Can you hire away a key person from a competitor who has experience as well as a customer base? You may wish to run several test "help wanted" ads to see who's available. Can you learn the skills yourself or hire a subcontractor?

One of the key aspects of providing additional services is staffing. That's really what you sell; it's not equipment, products or uniforms, it's the people who do the work. When you expand or diversify, you need employees to serve the customers. From day one, begin training back up support, so you're not caught in a real bind should your key person leave or get injured.

9. Where will the customers come from?

Your present customers are always your best and least expensive source of new business and additional income. However, selling to your existing customers alone may not generate the level of income you need to make a new venture profitable. After they have been tapped, you must offer the service to a more expensive and difficult to penetrate audience.

## MARKETING

Marketing is the life-blood of a service business. Develop a detailed marketing plan that includes 1) who the potential customers are, 2) what you're going to do to reach them, 3) what kinds of costs you'll incur, and, most important, 4) how much income and profit you will generate over a set period of time.

Don't overlook the possibility of marketing services on a regional or national basis. This sounds difficult, but many companies are sole sourcing for an entire chain of stores. Eagle Hardware, Safeway, Silo, Price Cutters, Office Max, Office Depot and Walt Disney stores frequently contract with one firm that may subcontract with a small business in each area to get the work done.

From a marketing standpoint, look at services that customers need several times per year and can be sold on a maintenance contract versus a one time service call. This will simplify sales and scheduling, and allow for increased income and profit.

Let's take a quick look at the range of additional services one might offer.

- Carpet cleaning, dying, repair and installation
- Hard and resilient floor care
- Concrete sealing
- Wood floor refinishing
- Marble and stone restoration
- Drapery cleaning
- Upholstery cleaning
- Office partition cleaning
- Computer cleaning
- Wall and ceiling cleaning
- Blind cleaning
- Fire, water and odor damage restoration
- High pressure washing
- Parking lot cleaning and striping (painting)
- Building exterior cleaning
- Metal polishing and sealing
- Landscaping
- Pest control
- Security services
- House cleaning
- Window washing
- Painting
- Carpentry, plumbing and electrical repair

- Construction clean-up
- Apartment turn over services
- Swimming pool maintenance
- Janitorial supplies
- Carpet spotters, vacuums and brushes
- Property management
- Lighting maintenance
- High tech cleaning
  - Clean rooms
  - Computer rooms
- Recycling
- Environmental cleaning and testing
- Wood refinishing and touch up
- Awning and sign cleaning
- Carpet carving
- Air duct cleaning and sealing
- Formica repair and recoloring
- Porcelain and appliance recoloring
- Carpet and floor covering inspections
- Fabric protector application
- Contract management services
- Consulting services

The key is to identify the most appropriate and profitable service for you, while realizing that you can't do everything. Also remember that Specialization sells.

I would caution against purchasing a franchise or signing a licensing agreement that requires payment of a monthly fee. In most cases, this simply isn't necessary; the products, information and technical support you need are available from independent sources such as suppliers, manufacturers, associations and consultants.

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