

Looking for a Market Focus in a Struggling Economy

By Stephen Hanig

Although many in the jansan industry noted an economic slowdown developing in 2008, it was not until the last several months of the year that the market showed a significant decline. Distributors were first to feel the decline as their sales activity decreased, and then manufacturers noticed.

Many looked for comfort in the fact that, over the years, economic downswings only minimally impacted the jansan industry. In fact, when previous recessions and economic slowdowns occurred, volatile industries such as real estate, auto, hospitality, and others would have to take drastic measures to ensure longevity. However, the jansan industry—because it is an easy-entry job marketplace and because of its stability—would not feel the effects as deeply as other industries.

However, we can no longer take refuge in history. This downturn has impacted the jansan community and has ended any myths that this is a recession-proof industry. A recent article in the *Wall Street Journal* (February 7, 2009) details the impact that the economy is having on temporary staffing agencies and notes that the temporary hiring of cleaning staffers, which normally remains somewhat stable in tough times, is down significantly.

Viewing the situation in more detail, it appears manufacturers and distributors of big-ticket items are currently most affected. According to John Garfinkel, Executive Director of ISSA, equipment sales tend to be the first to falter in tough times, followed by chemicals, paper, and other less expensive products. However, as things improve, he

says, it is often equipment sales, such as carpet extractors, that are the first to tick upward.

With all of these issues in mind, what are end users looking for now, with the current state of the economy? What should jansan distributors and manufacturers do now to improve sales? What is the outlook for cleaning equipment sales? And, with Green and productivity being hot topics today, is our industry investing enough time and money for our future?

Past and Future Outlooks

In a 2001 study, the Fredonia Group, a Cleveland-based industrial market research firm that provides unbiased assessments of more than 125 different industries and their products, predicted relatively strong growth for the professional cleaning industry through 2005. Regarding specific market sectors, the study reported the growth would be “driven by demand for commercial [carpet] cleaning equipment, particularly shampooers and extractors.”

The study went on to predict that end users would seek higher quality standards in carpet cleaning equipment, meaning they would expect machines to be more durable with fewer service problems and less downtime. Additionally, demand would create a continued focus on machines that help protect indoor air quality as well as equipment with enhanced ergonomics, making them easier to work with and maneuver. In addition, the organization predicted the overwhelming bulk of the purchases would come from office, institutional, and commercial facilities and from contract cleaners.

The study did not reference building service contractors who are now among the largest and fastest-growing industry segments purchasing carpet cleaning equipment.

As to future sales growth, according to information released in 2008, the Fredonia Group predicts sales will continue to climb, and once again the majority of sales are expected to come from the same market sectors previously mentioned. Further, the organization suggests that carpet cleaning equipment that is environmentally responsible, protects indoor air quality, is easier to operate, and is durable will still be what end users are most focused on when making product selections in coming years.

EDITORS NOTE: Mike, there were dollar amounts listed in the study. However, we deleted the figures because we were not sure if the dollar amounts quoted were retail sales, sales of distributors, sales dollars for manufacturers, etc. Steve Hanig thought it better to be safe than sorry here and make a mistake.

Current Product Demand

For the most part, the Fredonia Group's past sales and end-user predictions and forecasts have come true. But because the latest study was published in 2008, prepared before the current downturn in the economy, predicted sales figures may not prove to be as accurate. After all, many of the top business forecasters—in private industry as well as government—were caught off guard by the swiftness and depth of the present downturn.

Regardless of sales predictions, it is likely end users will continue to demand durable, healthier, and ergonomic carpet cleaning equipment now and into the foreseeable future. However, we are also seeing three other "maximum-value" market forces coming into play, which are likely a reflection of the downturn in the economy:

- Dual-purpose floor machines. In the past, some carpet cleaning equipment, along with other types of floorcare equipment, was

designed specifically for one purpose but could be used for more than one floor type. And often, end users developed innovative ways to find more uses for their carpet cleaning equipment. However, we now have equipment that is designed to be used on more than one floor type—carpets, tile and grout, and conventional hard-surface flooring—and have such features as adjustable psi, heat/no-heat settings, and different wands for different types of floors. The reason is obvious: one machine engineered to satisfactorily clean more than one floor type offers a significant cost savings for end users.

- Solo-use equipment. Carpet cleaning technicians who have the bulk of their business in residential cleaning have been impacted more by the economic downturn than those who clean carpets in office/commercial locations. To cut costs, many residential carpet techs have had to reduce their workforce, which means they need equipment that is relatively easy for just one operator to transport, load, and maneuver. Some manufacturers have addressed this need by developing portable extractors that are designed specifically for one-operator use.
- No bells/no whistles. Some of the most expensive high-end retailers have reported the biggest drops in sales this past Christmas season. And, although the figures were not as robust as predicted, the mega-discount retailers reported some of the best sales for the season. In economic downturns, costly luxury is out, and less expensive practicality is in. End users are looking for carpet cleaning equipment that is practical, is durable, performs well, and is cost-competitive.

How Distributors Can Improve Current Sales

Naperville, Illinois, about a half hour west of Chicago, made *Money Magazine's* list of "Top 10 Best Places" to live in the United States in 2008. A local real estate agent, who sells only high-end properties of a million dollars or more, has seen her sales plummet in the past year. In fact, right now she says there is a 12-*year* supply of million dollar-plus homes in Naperville.

Along with the sales plunge, she has seen a change in the office's real estate broker. Instead of discussing general office and business issues at their regular Monday morning office meetings, he has become a motivational speaker, encouraging the agents to know that things will soon improve. She says she "sees the sun coming up" after those Monday morning meetings.

What can the jansan industry learn from this?

For some manufacturers and distributors facing hard times, a little encouragement and inspiration for the sales and office staff could be called for right now—at least it certainly cannot hurt. This might even be a good time to seek out sales seminars, professional motivational speakers, and other inspirational sources.

On a more practical level, carpet extractors can be a major expense for many end users, meaning they will likely delay the purchase of the new equipment as long as possible. Knowing this, distributors must work harder to win the trust, loyalty, and business of their customers. Ways to do this include:

- Take the time to thoroughly understand the clients' needs.
- Suggest equipment and products that have a high return on investment or can help clients improve worker productivity, which also helps cut costs.

- Capitalize on current market trends by offering cost-effective equipment as well as equipment that can be used for multiple tasks.
- If possible, allow end users to test-drive equipment in their own work locations so they can “feel” the equipment’s benefits and features.
- Just say yes; make it as easy as possible for clients to purchase carpet cleaning equipment with simpler and more cost-effective credit terms where possible.
- Deliver excellent service.
- Continue marketing; studies of past downturns indicate that those companies that kept their marketing strong were ahead of the curve when the economy improved.

Economic fluctuations are normal, but customer expectations of quality, cost, and service stay consistent. Successful distributors and manufacturers of carpet cleaning equipment will learn from this period, take the actions they need to weather the storm, generate sales, and be on top of the game when things recover.

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